ACI-NA
2012 (FY11) Benchmarking Survey

January 23, 2013

Contact:
Economic Affairs and Research
Tel: 202-293-8500
Email: EconomicAffairs@aci-na.org
www.aci-na.org

Who Are We?

Airports Council International – North America (ACI-NA) represents local, regional and state governing bodies that own and operate commercial airports in the United States and Canada.

ACI-NA's 194 airport members enplane more than 95 percent of the domestic and virtually all the international airline passenger and cargo traffic in North America.

The mission of ACI-NA is to advocate policies and provide services that strengthen the ability of commercial airports to serve their passengers, customers and communities.

ACI-NA is the largest of the five worldwide regions of Airports Council International (ACI).

I. The Airport Operating Environment

To start . . .

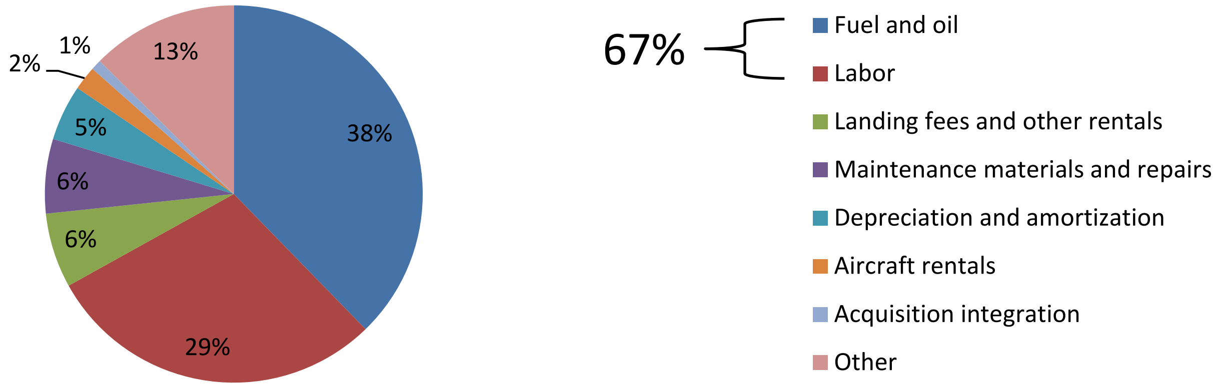
"If you want to be a millionaire, start with a billion dollars and launch a new airline."
- Sir Richard Branson, Virgin Atlantic Airways founder and CEO

"The worst sort of business is one that grows rapidly, requires significant capital to engender the growth, and then earns little or no money. Think airlines."
- Warren Buffet, Berkshire-Hathaway CEO

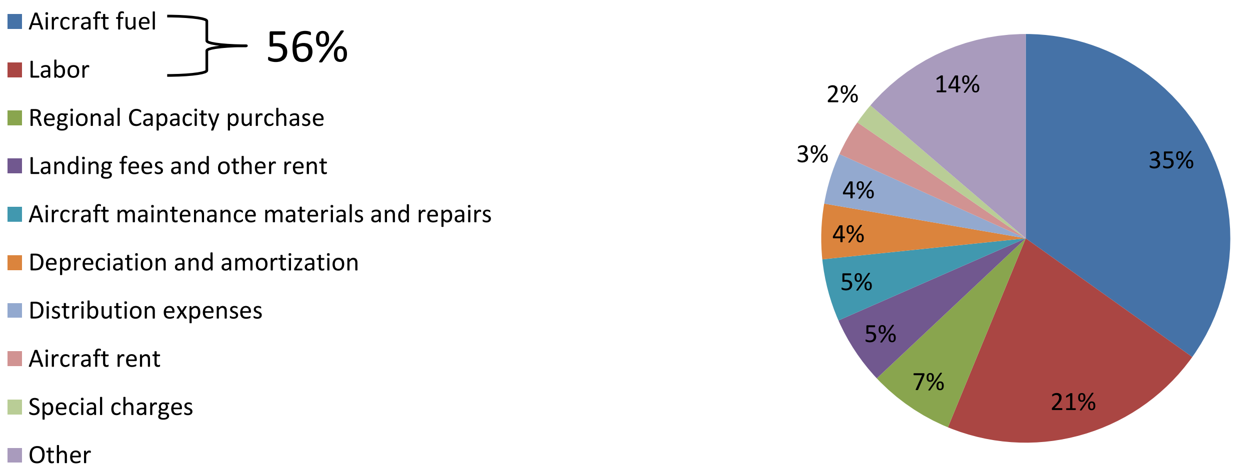
Source: Wikiquotes

Labor and fuel costs make up a majority of airline operating expenses for both legacy and low-cost carriers

Southwest - 2011 Operating Expenses

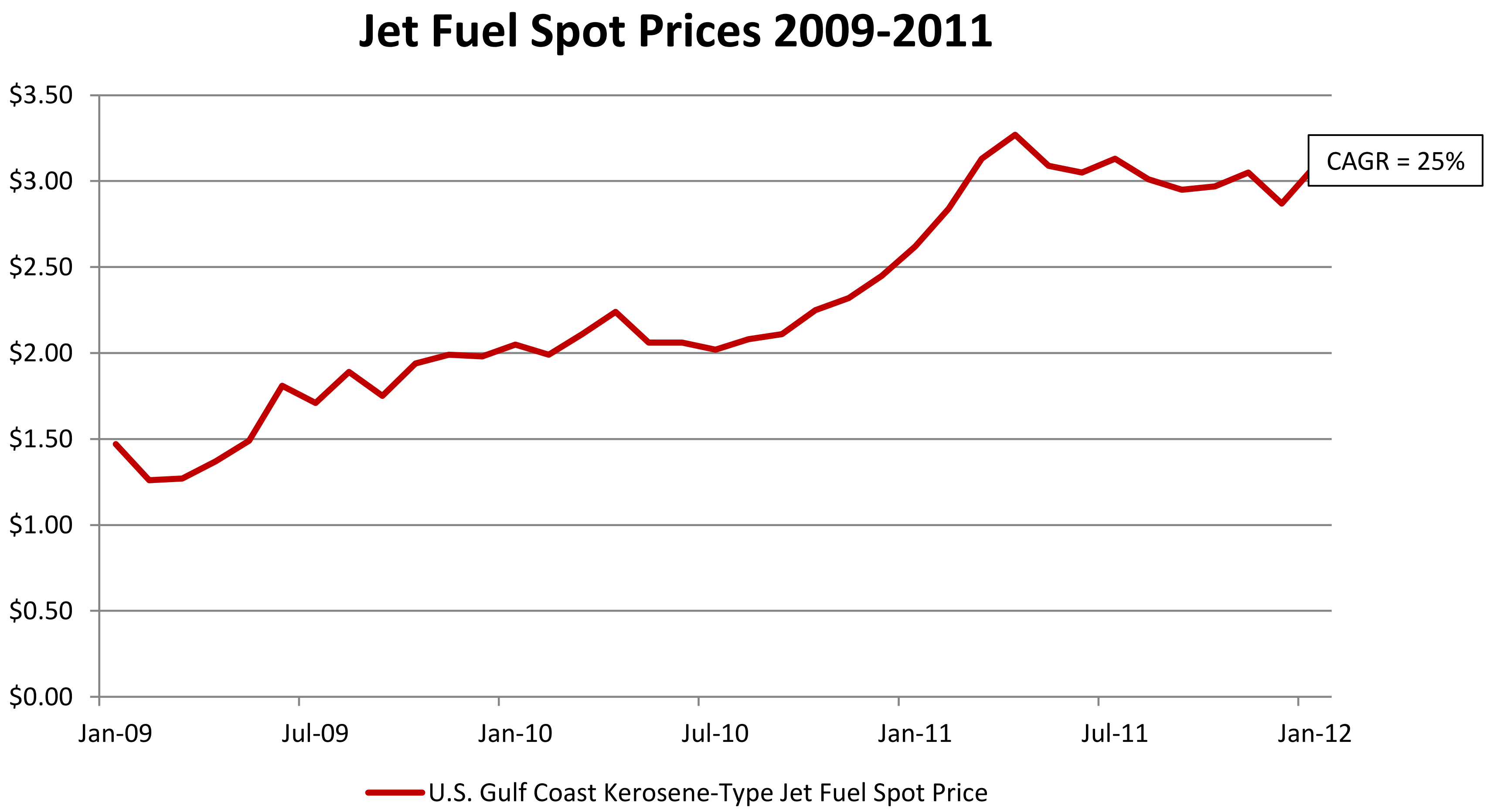


United - 2011 Operating Expenses



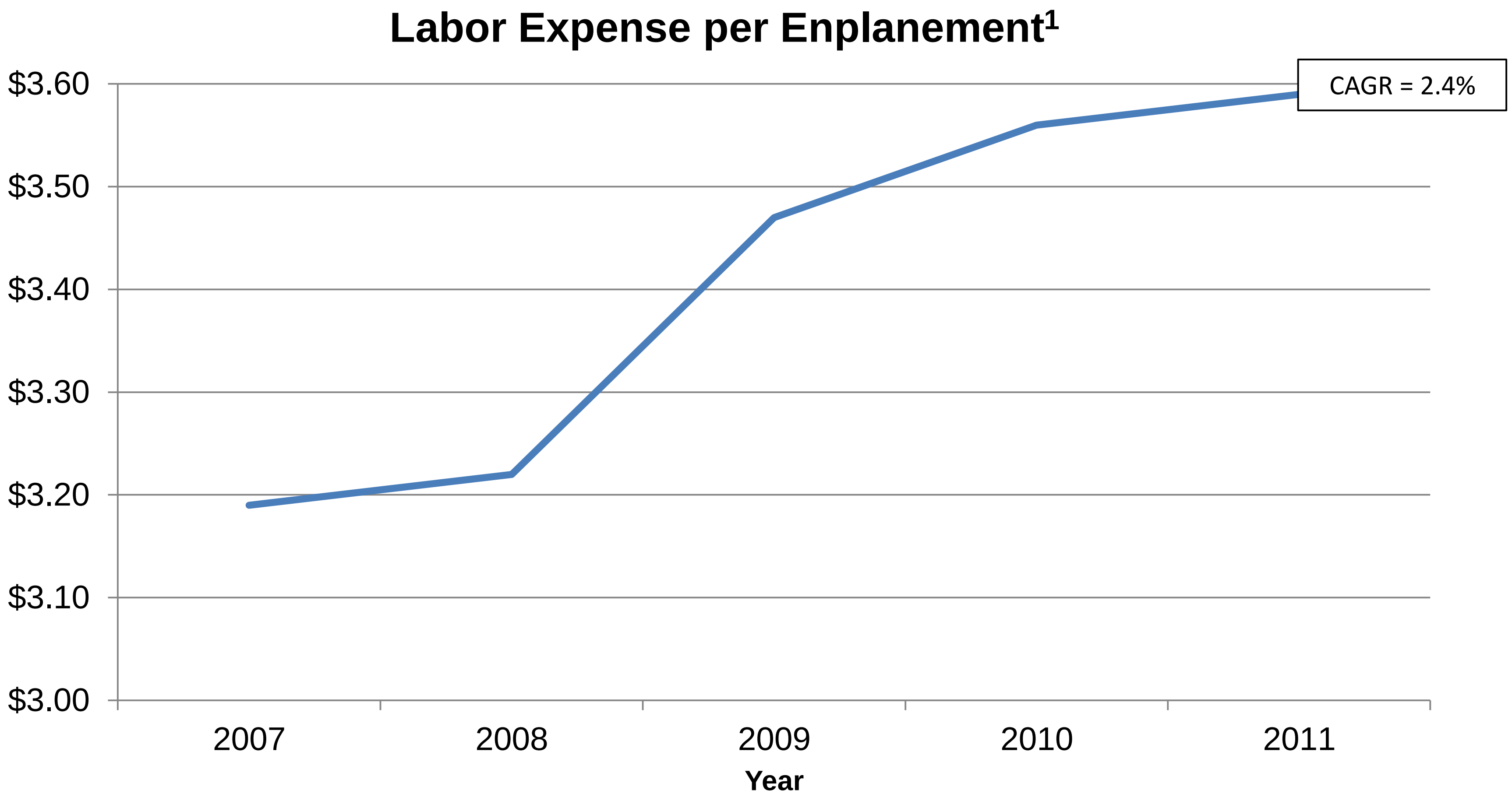
Sources: 2011 Southwest Airlines Annual Report, United Continental SEC Form 10-K for year ending 12/31/2011

Continued rise of fuel prices in 2011 is adding more pressure on airlines' bottom line



Source: U.S. Energy Information Administration

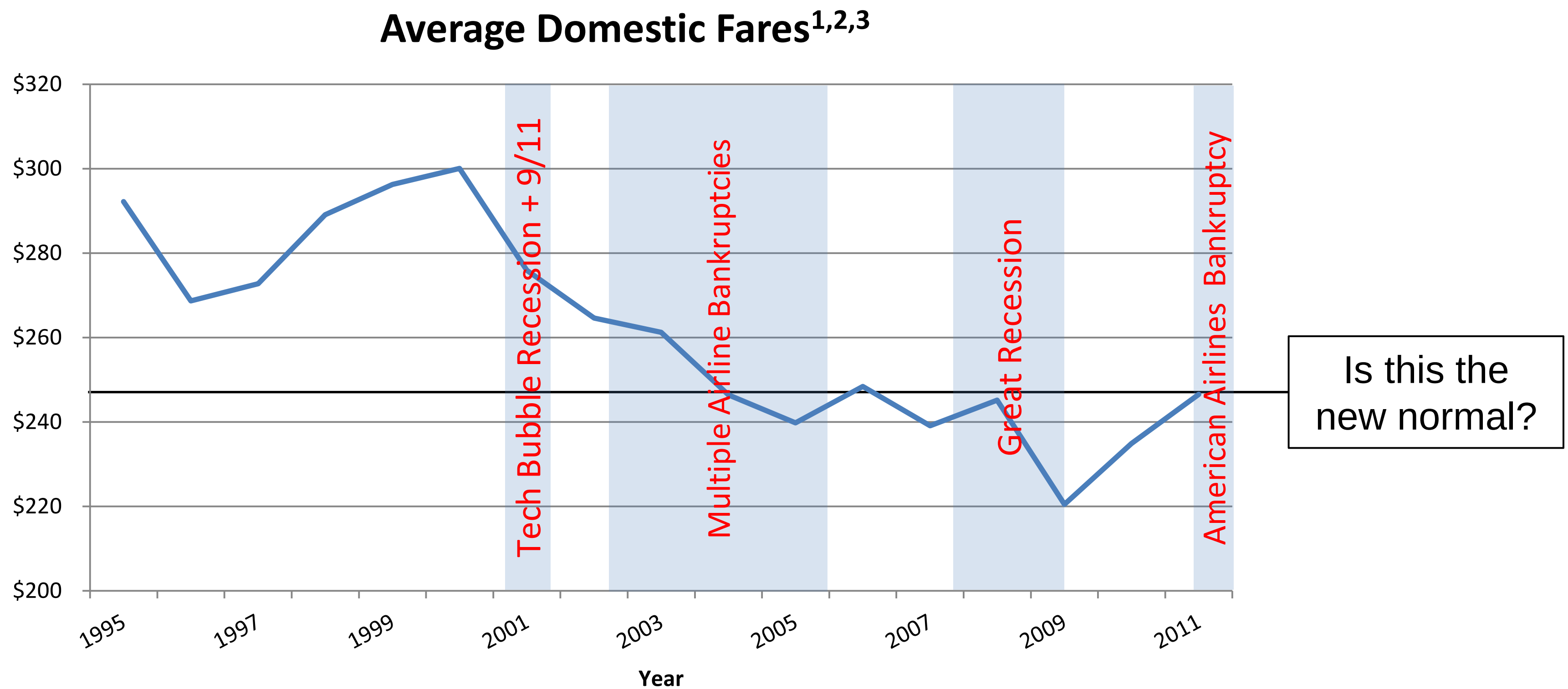
Labor expenses continue to rise but at a much slower rate than fuel prices



Note: (1) Data for the following airlines: American, Continental, Delta, Northwest, United, US Airways, America West, Southwest, jetBlue, AirTran, Frontier, Virgin America, Alaska, Hawaiian, and Allegiant

Source: US DOT Form 41 via BTS, Schedule T2 & P6

Average U.S. domestic fares have recovered from the "Great Recession" but have fallen over the past decade



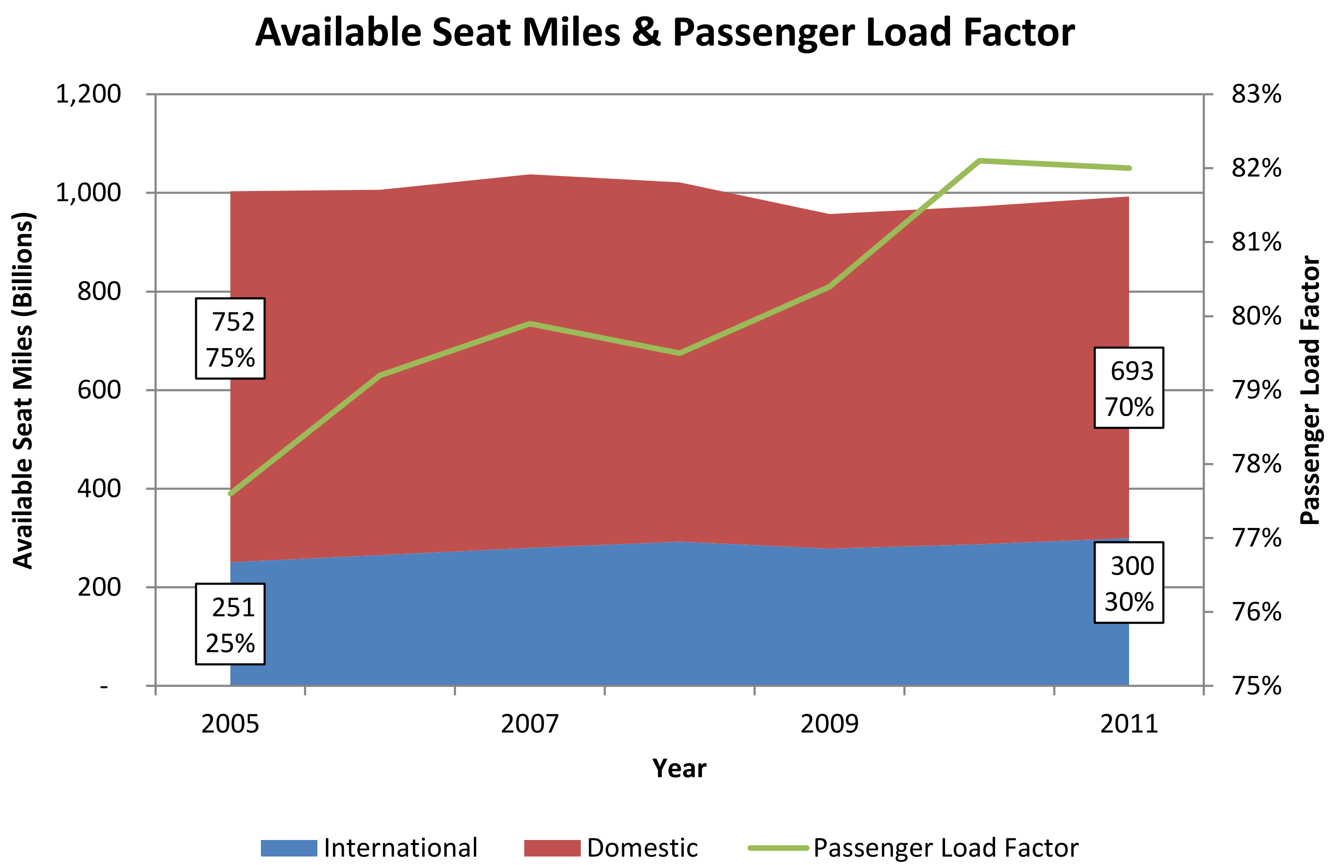
<u>Contributing Factor Highlights</u>

- Low-cost carriers
- Less differentiation in domestic market
- Distribution channels / fare transparency

Note: (1) In 1995 dollars
(2) Not controlled for "unbundling" of services
(3) For U.S. airlines

Source: Bureau of Transportation Statistics, National Bureau of Economic Research

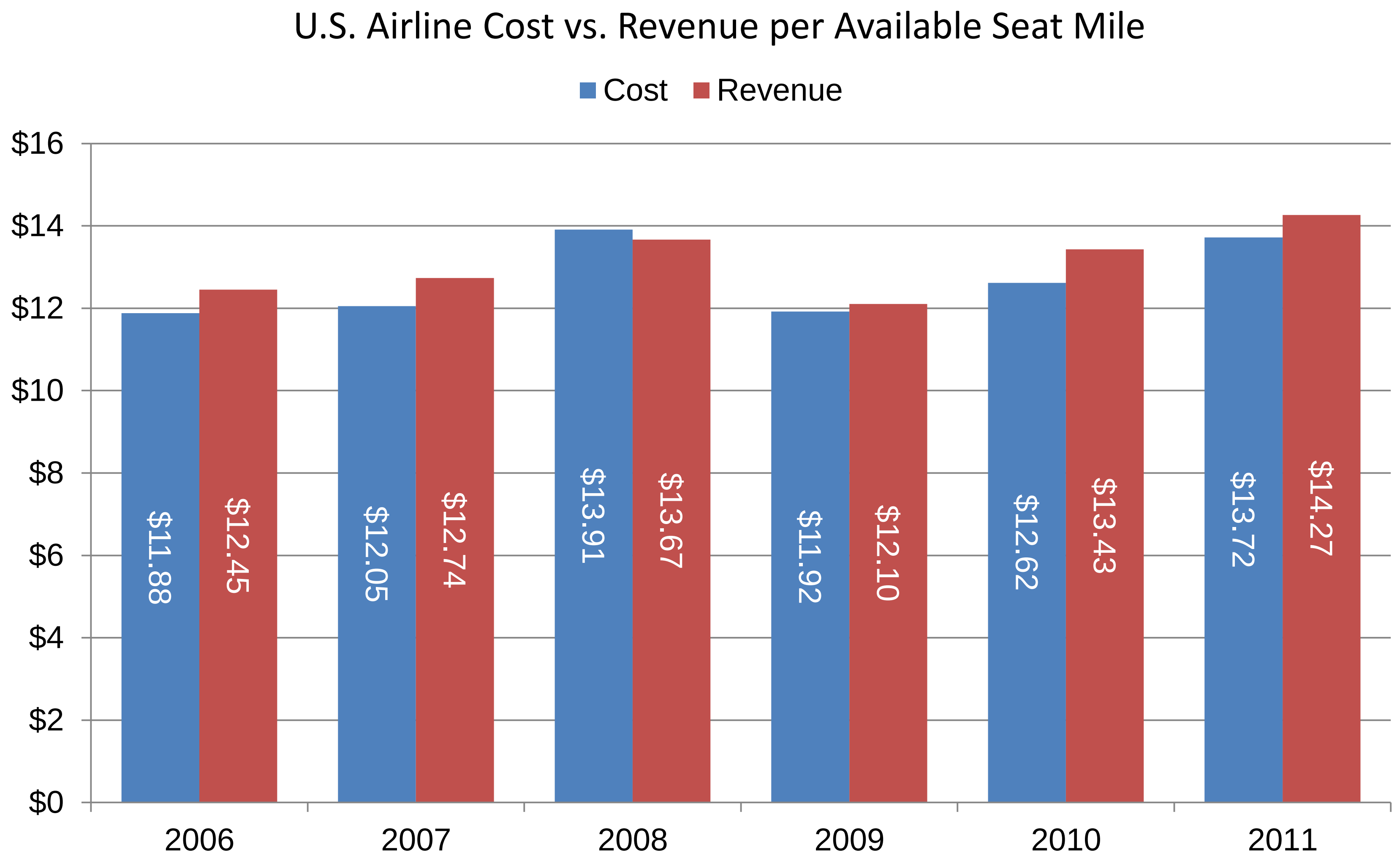
Airlines appear to be focusing on higher margin international traffic and increasing load factors



Note: (1) Load factor includes U.S. airline domestic and international travel

Source: Bureau of Transportation Statistics, Airlines 4 America

Airlines continue to be challenged by low operating margins and rising costs

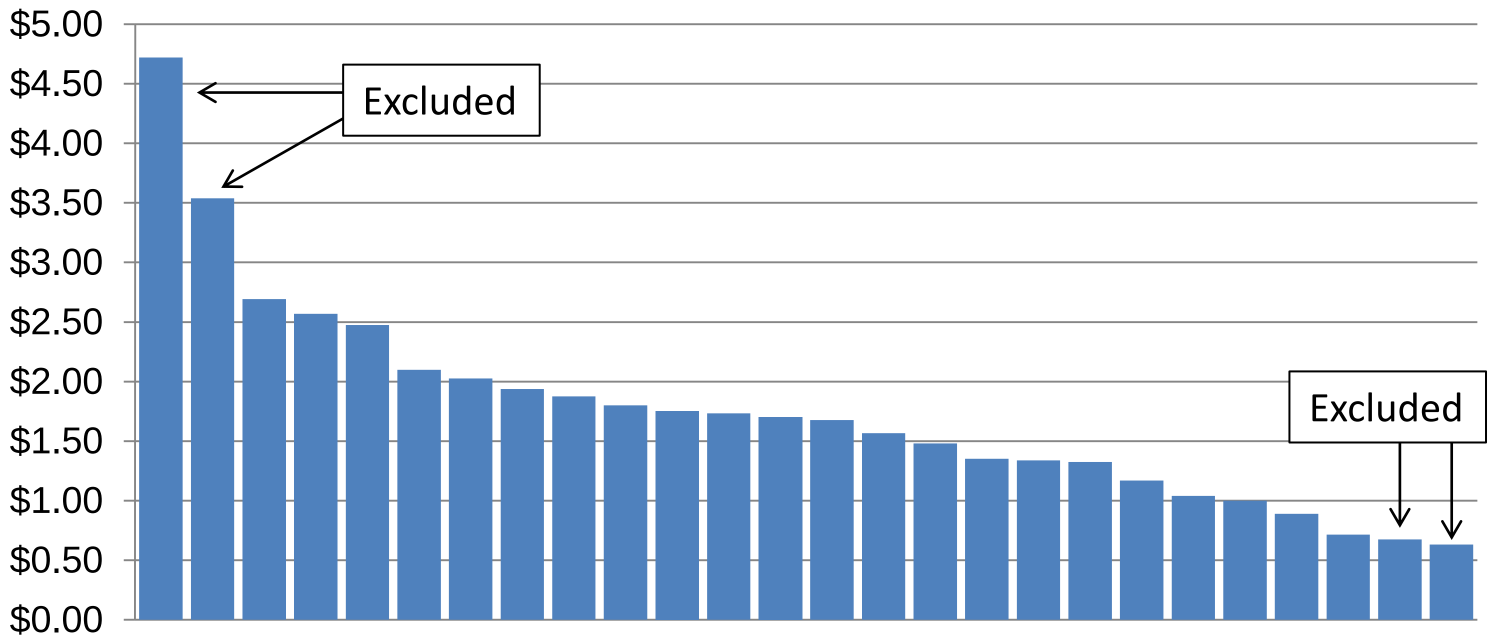


Source: DOT Form 41, Diio Mi

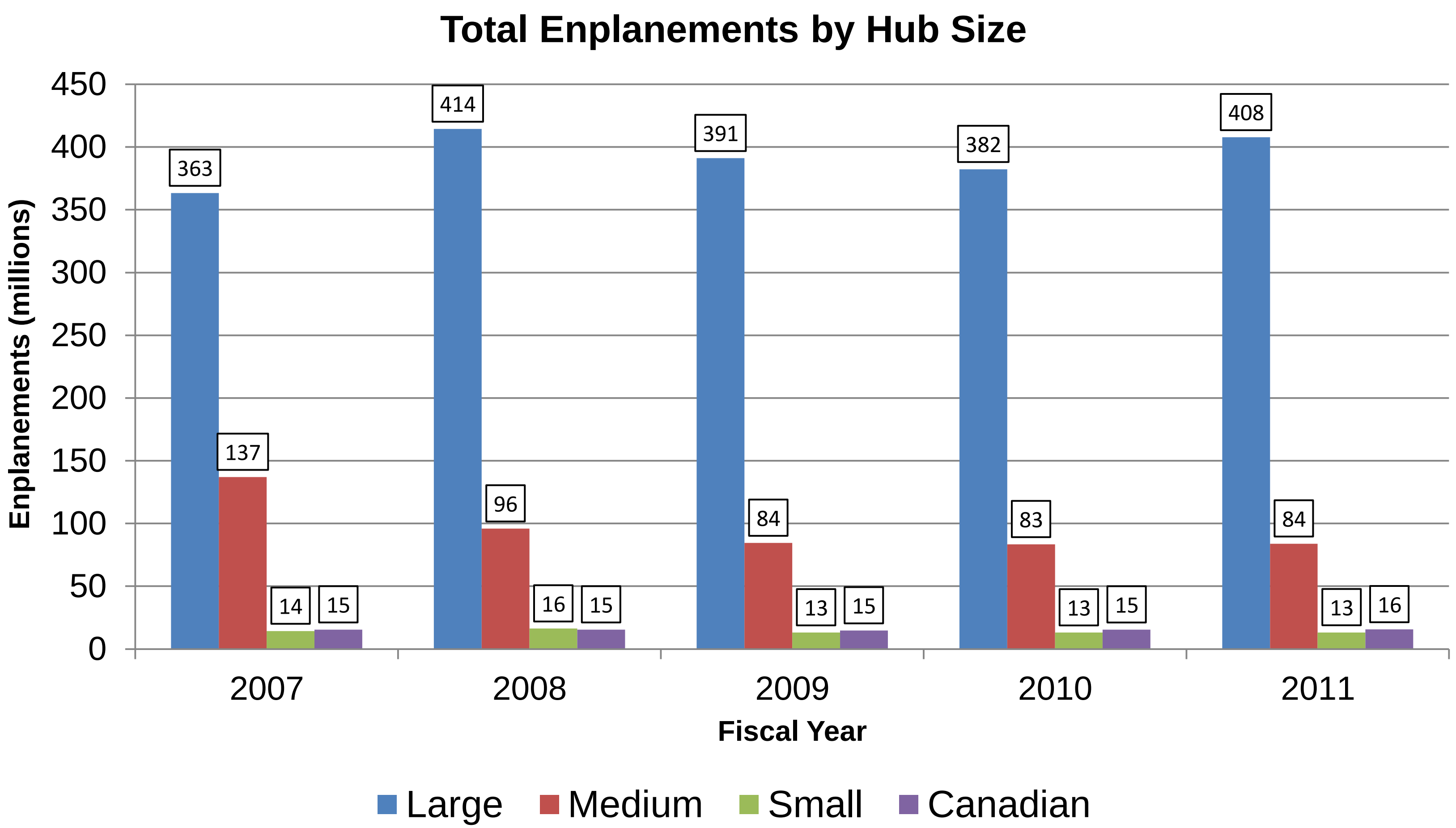
II. Key Airport Trends

An adjusted average was used in time-series data in order to control for outliers in Part II

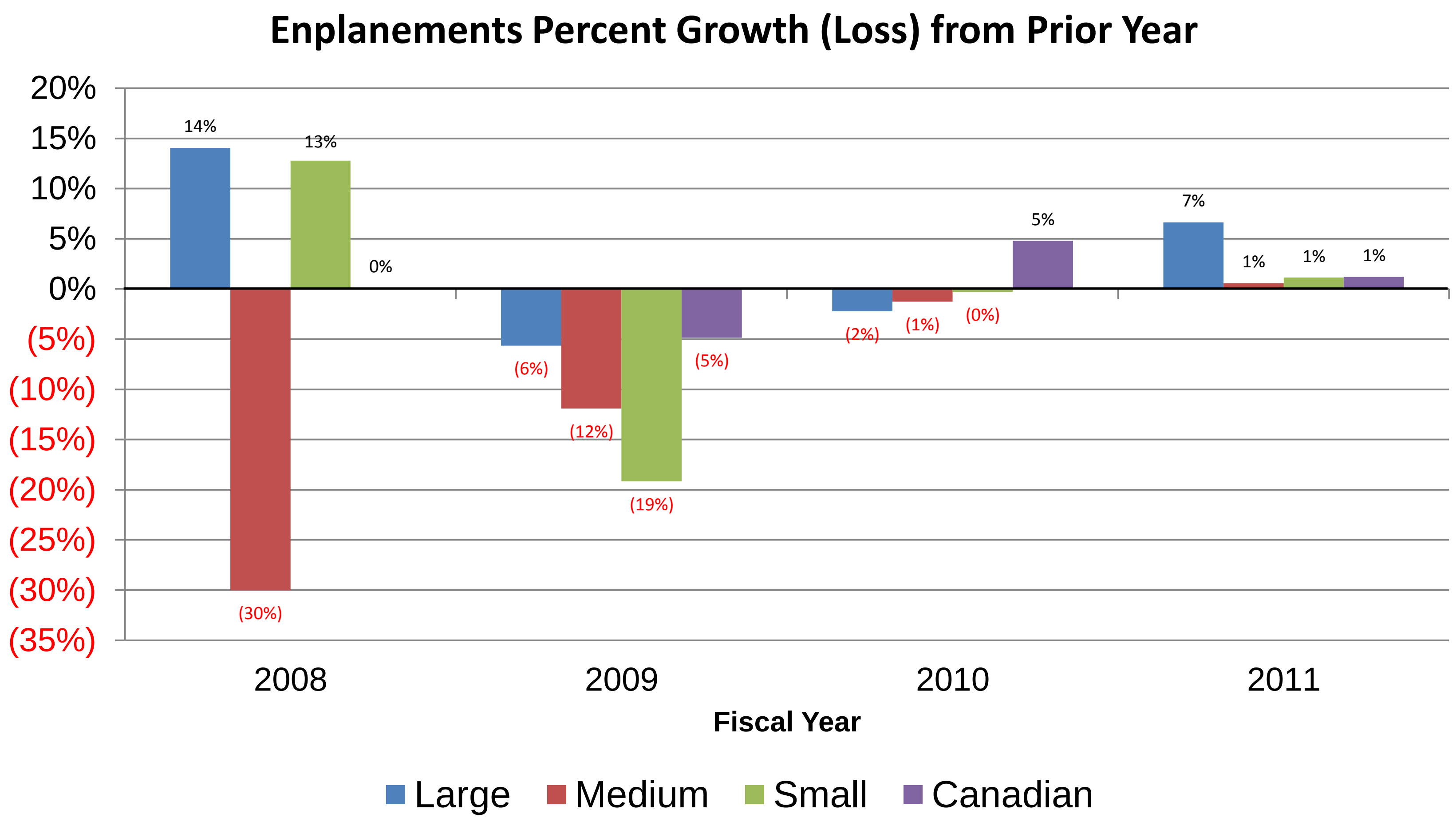
- 61 airports that responded to each of the 2008-2012 benchmarking surveys were included in the analysis in Part II
- Averages were adjusted by excluding the two maximum and minimum values in each data set, except for Canadian airports which used a straight average because of a small sample size
- Example:



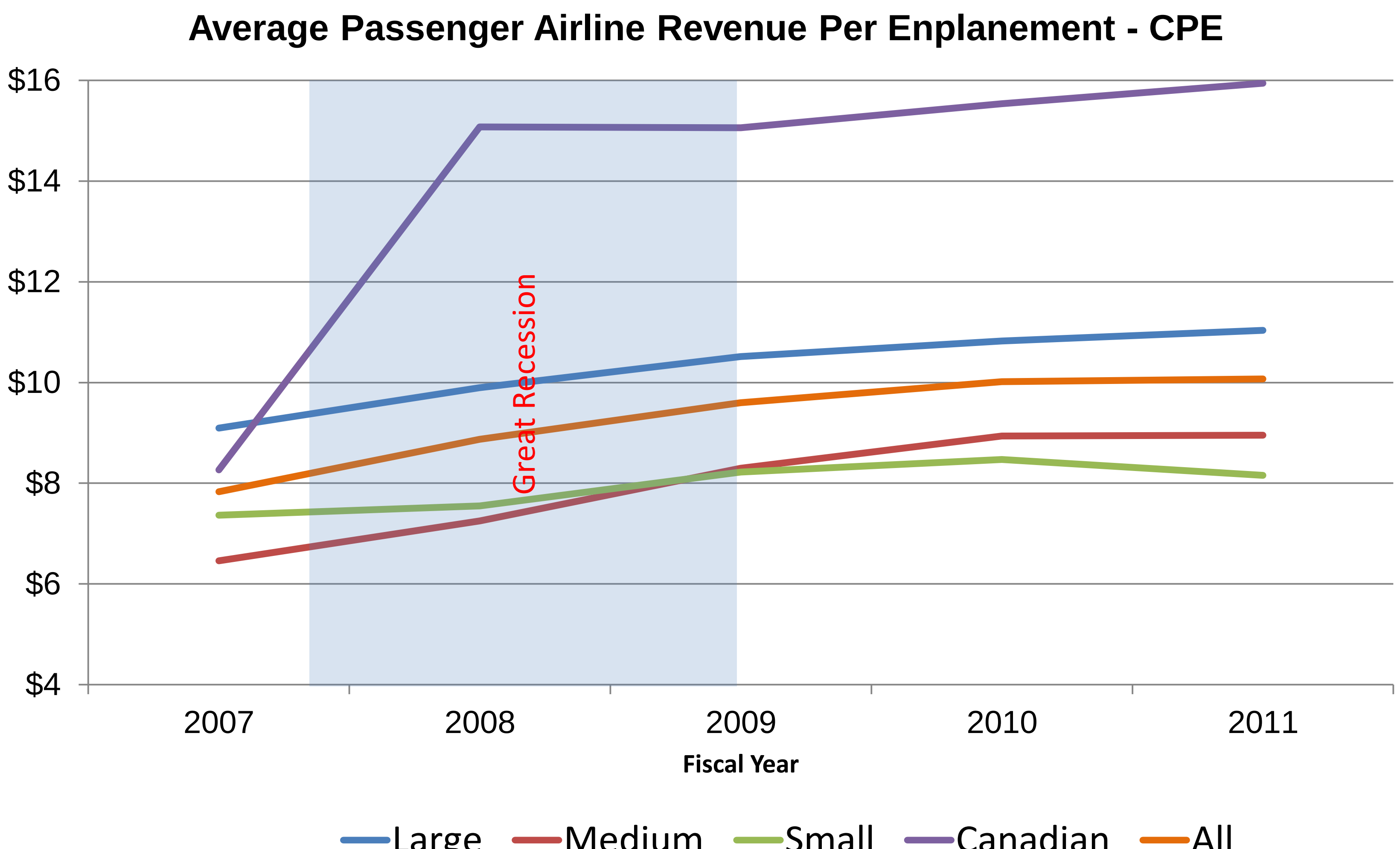
Large hub airports are the only hub size to be showing an upward trend in enplanements



Traffic growth at airports seems to be inconsistent year over year

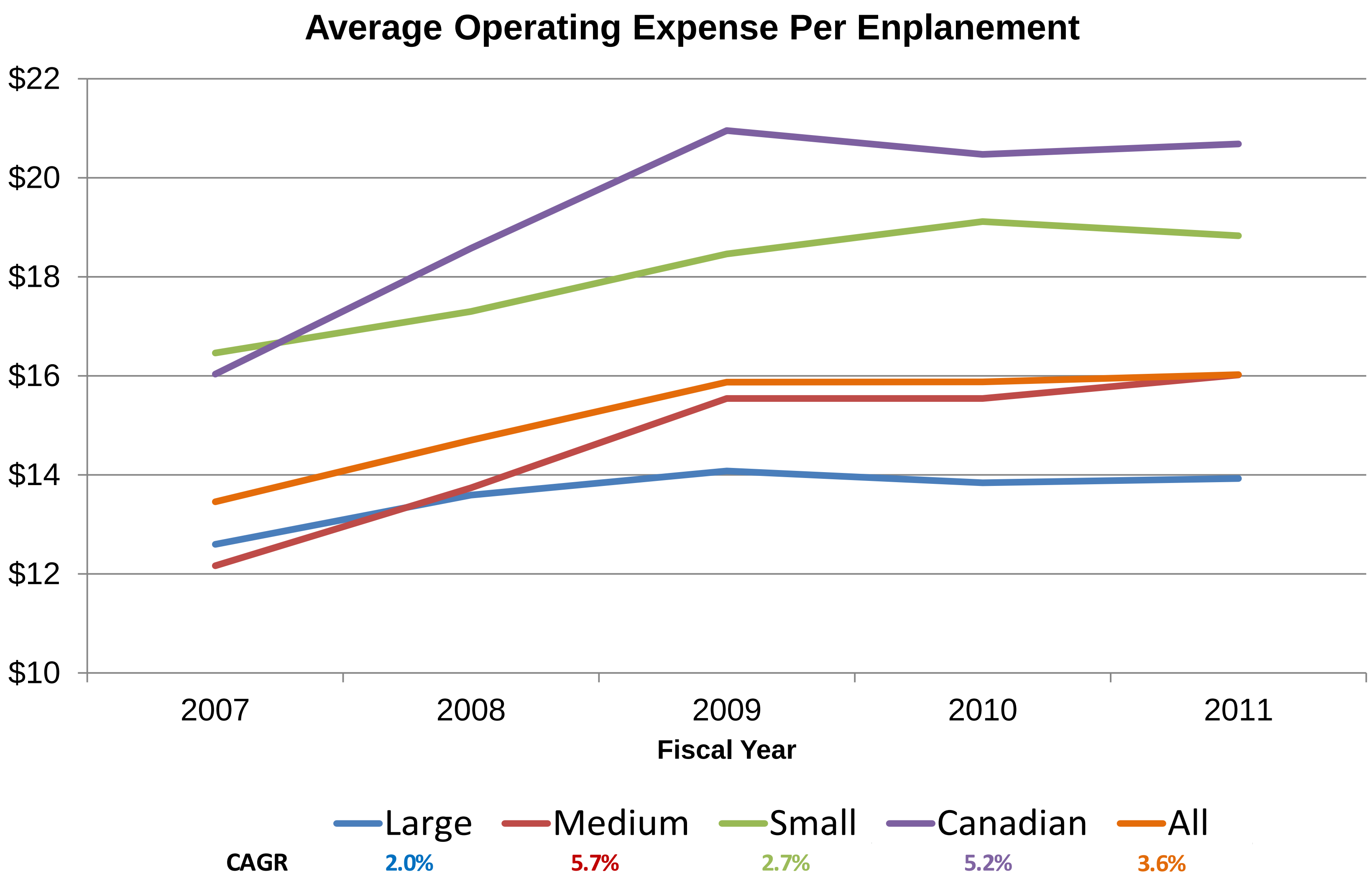


Cost per enplanement has been rising since the "Great Recession"

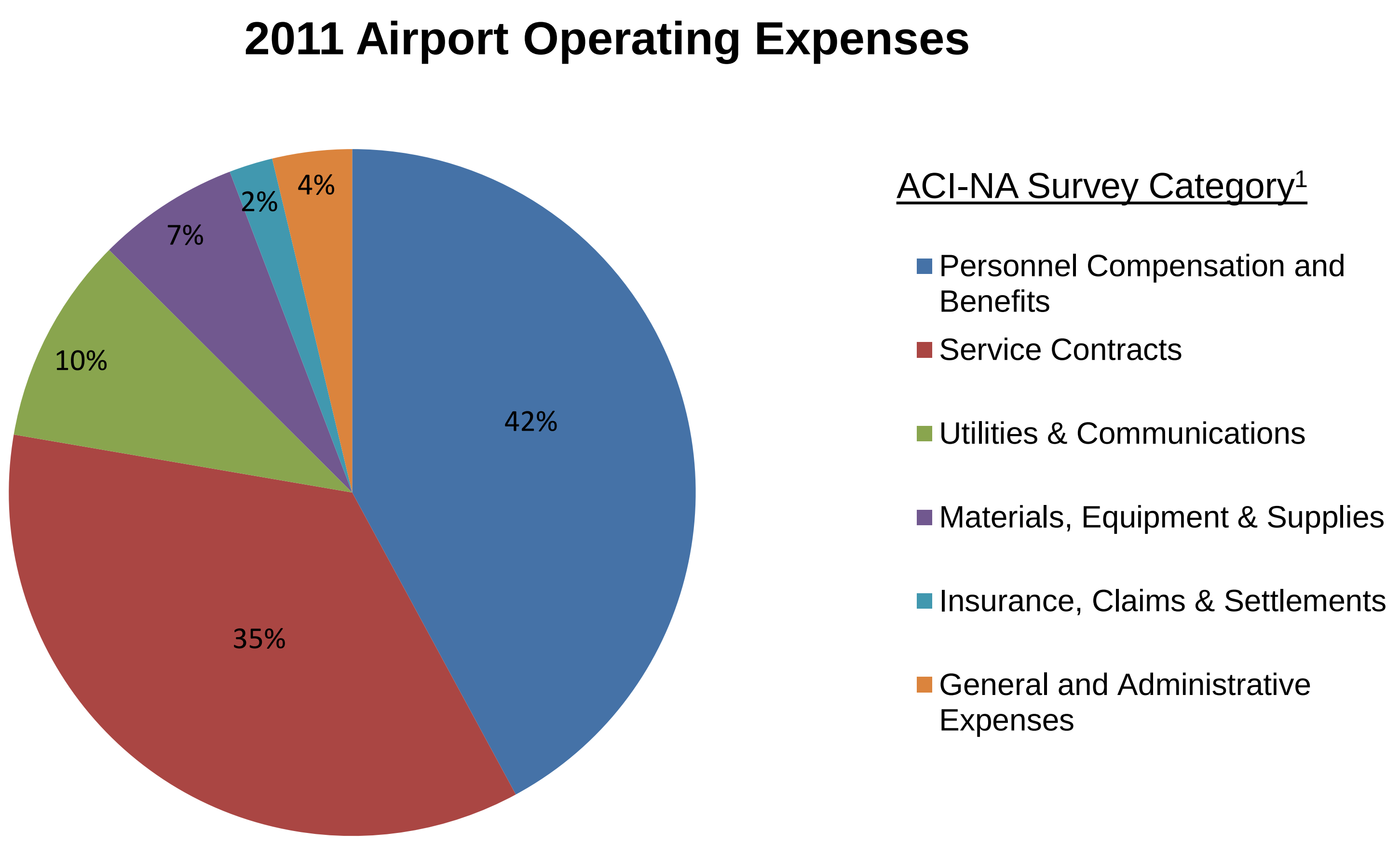


CAGR	3.9%	6.8%	2.1%	14.0%	5.2%

Rising airport operating expenses appear to be contributing to the upward trend in CPE

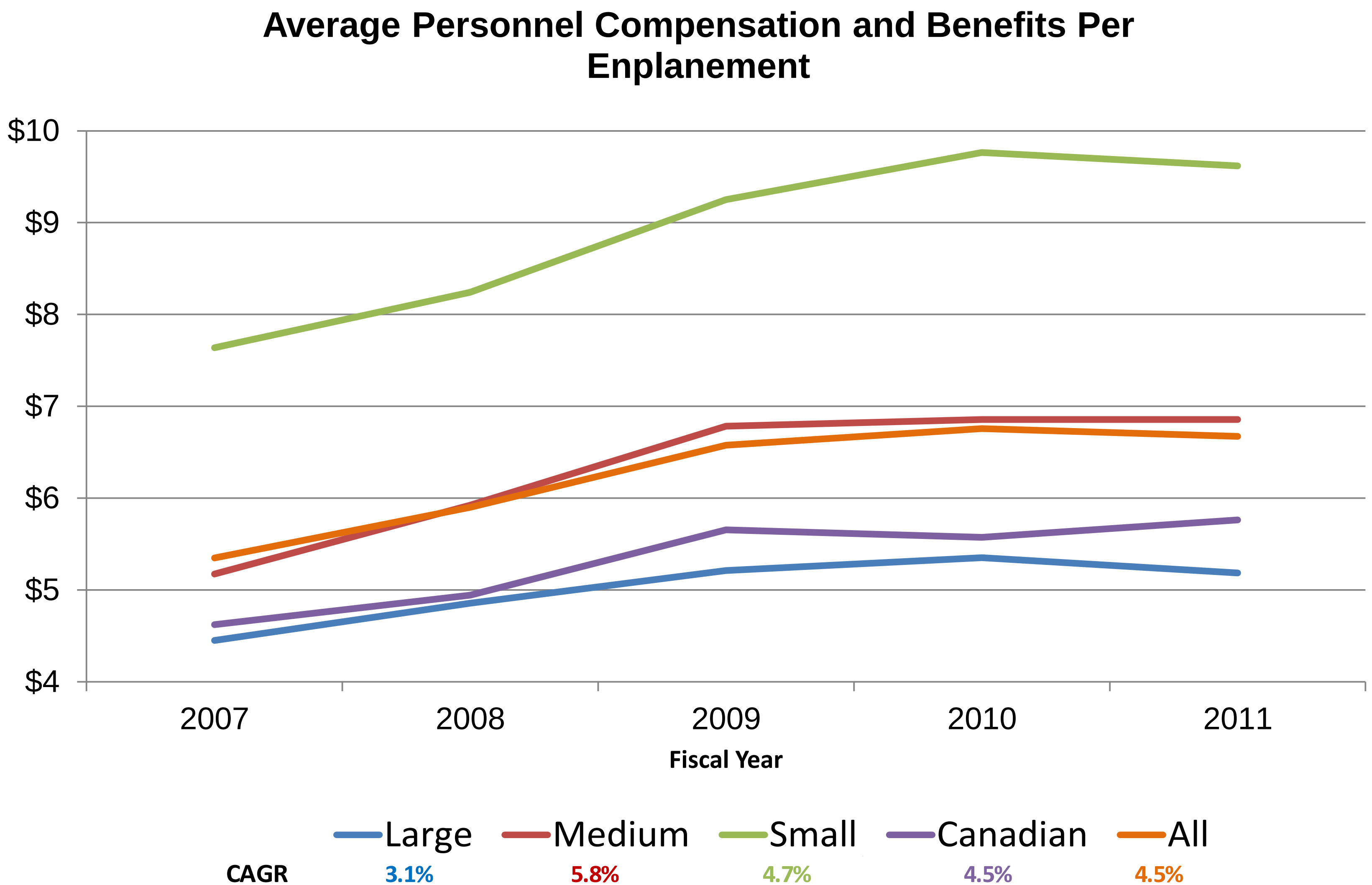


Personnel and service contracts account for 77% of airport operating expenses in fiscal year 2011

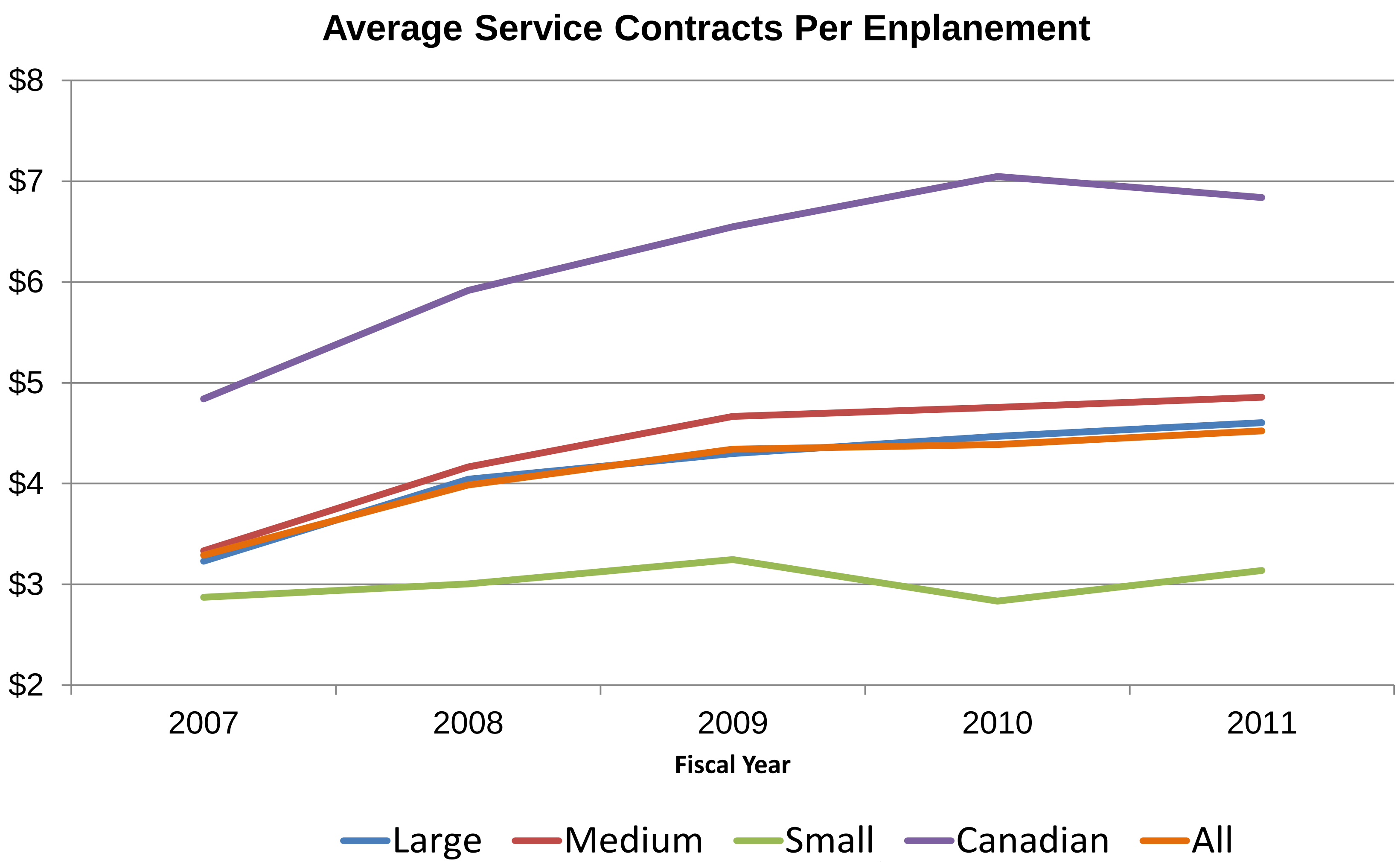


Note: (1) Service contracts includes the cost of services paid to commercial enterprises and government agencies excluding amounts paid to third parties for repair and maintenance costs and marketing, advertising and promotions.

Personnel expenses continue to rise and are a large component of small hub CPE

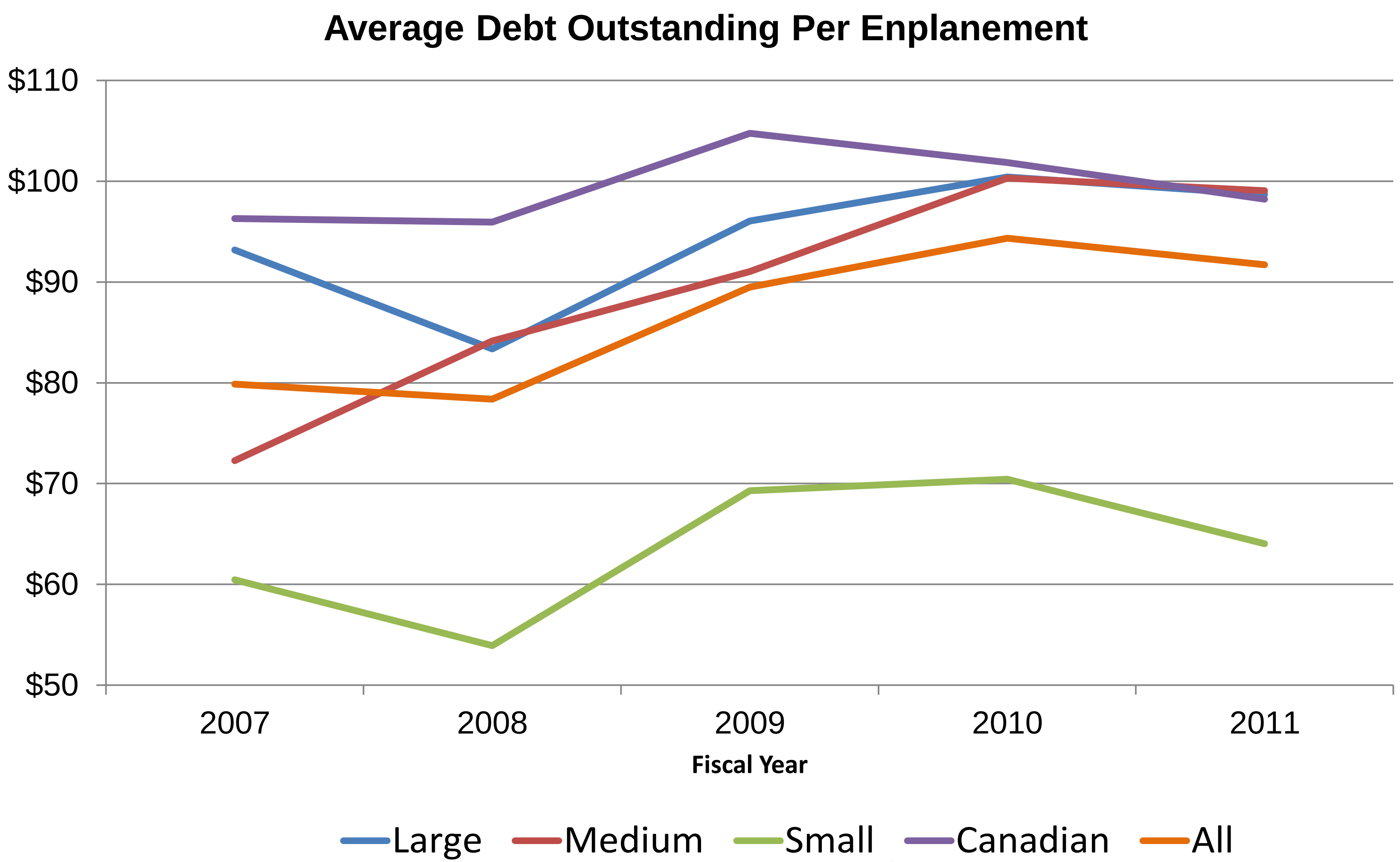


Service contracts per enplanement rose in 2011 at airports



CAGR	Large	Medium	Small	Canadian	All
CAGR	7.3%	7.8%	1.8%	7.2%	6.6%

Debt levels are on the rise as airports of all hub sizes undertake major capital projects, also putting upward pressure on CPE



CAGR	Large	Medium	Small	Canadian	All
	1.2%	6.5%	1.2%	0.4%	2.8%

Expansion themes include constructing new international facilities, adding gate capacity, and upgrading aging terminals

Airport: ATL

Hub Size: Large

Cost: $1.4 billion

Completion: 2012

Project Highlights:
- 12 new international gates (wide-body capable)
- New international terminal
- 1,100 space parking lot
- Widening of certain taxiways and runways

Airport: SNA

Hub Size: Medium

Cost: $543 million

Completion: 2011

Project Highlights:
- New 282,000 square foot terminal
- Six gates
- Security checkpoint
- 2,200 space parking structure

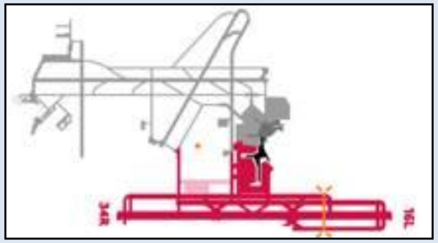
Airport: GSP

Hub Size: Small

Cost: $102 million

Completion: 2016

Project Highlights:
- Terminal renovations and redevelopment
- Rental car customer service facility
- Baggage claim renovations
- Concourse renovations



Airport: YYC

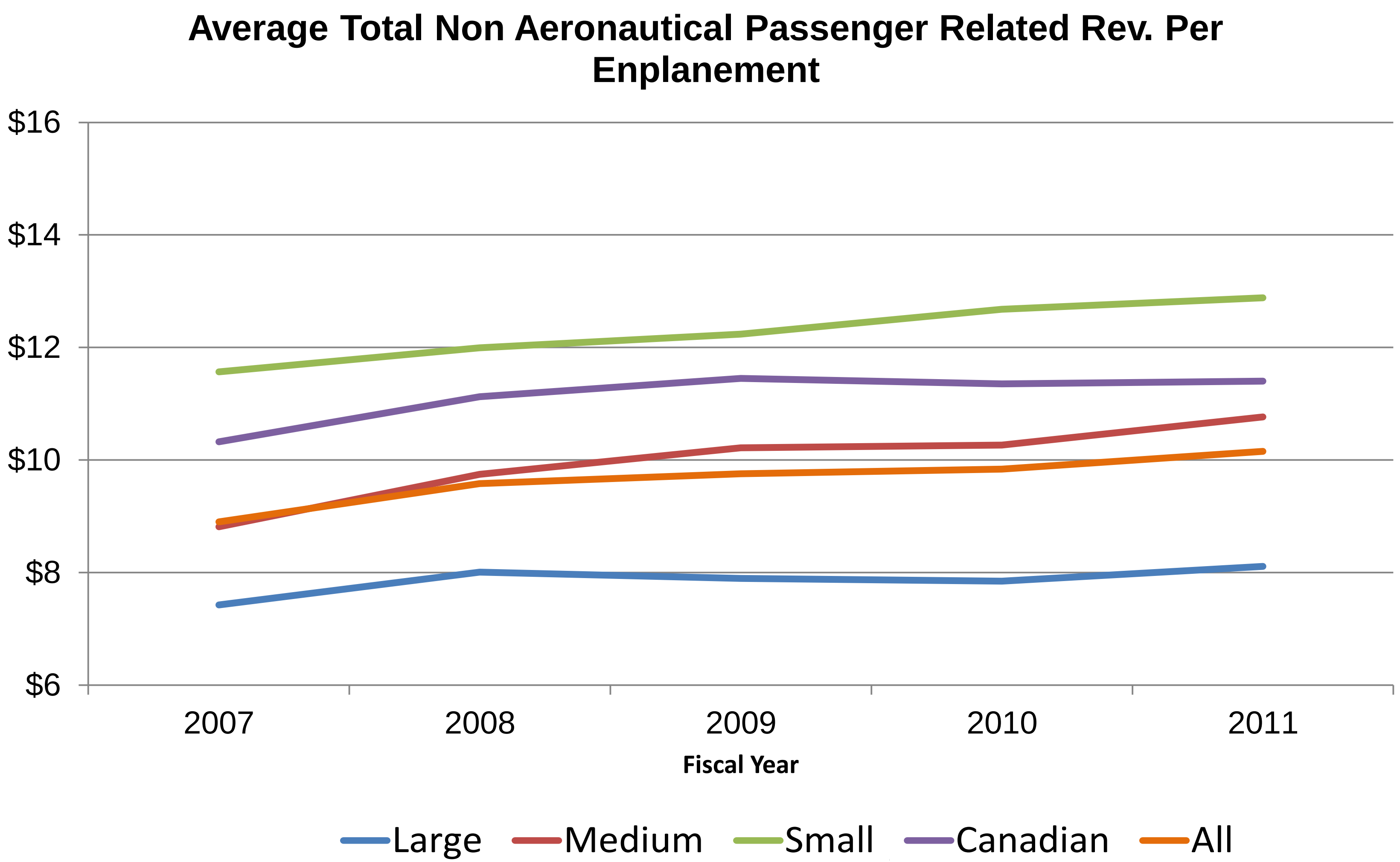
Hub Size: Canadian

Cost: $2.4 billion

Completion: 2015

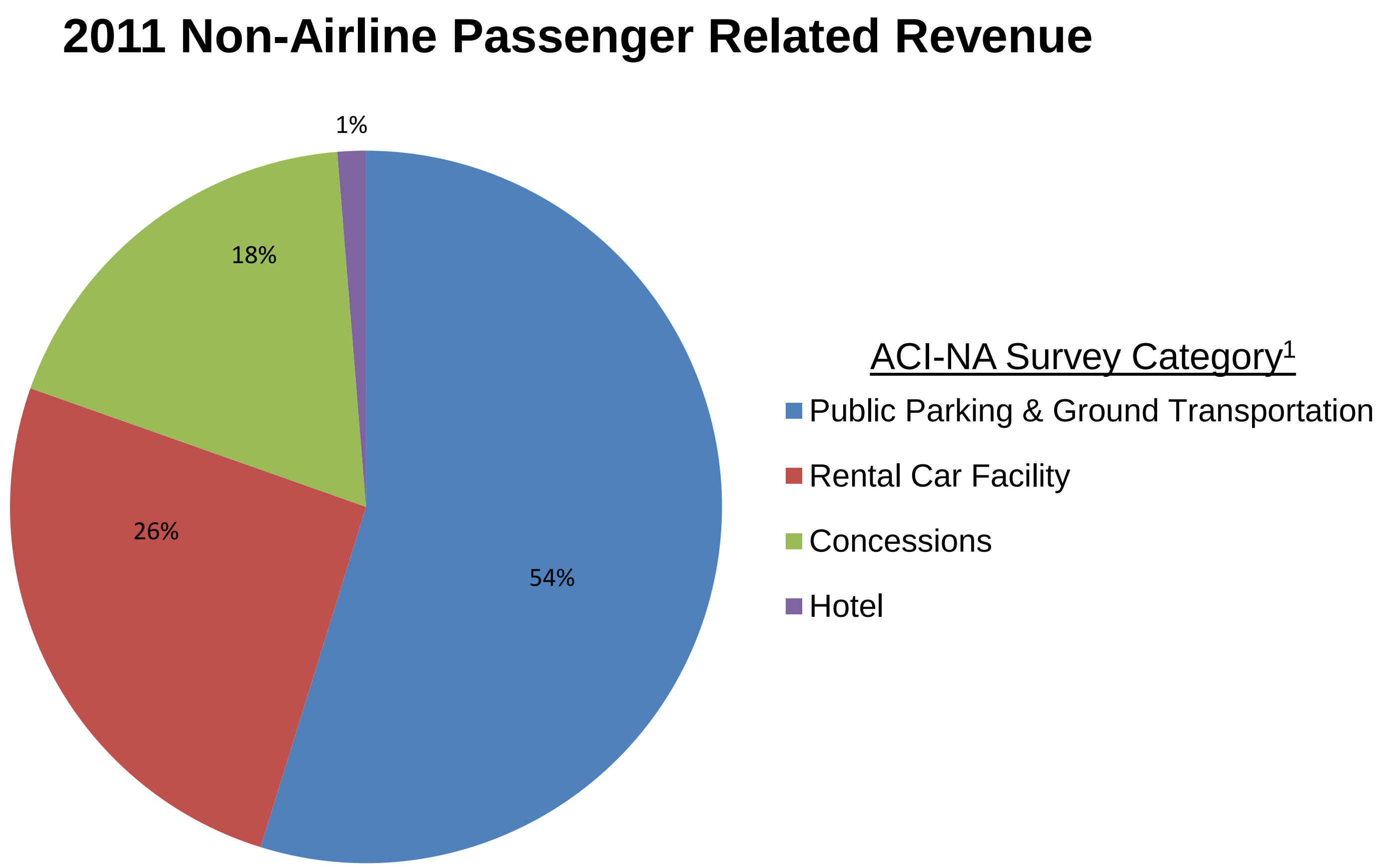
Project Highlights:
- New international terminal
- 22 international gates
- New 14,000 foot long, 200 foot wide runway

Non-airline revenues continue to rise across all hub sizes



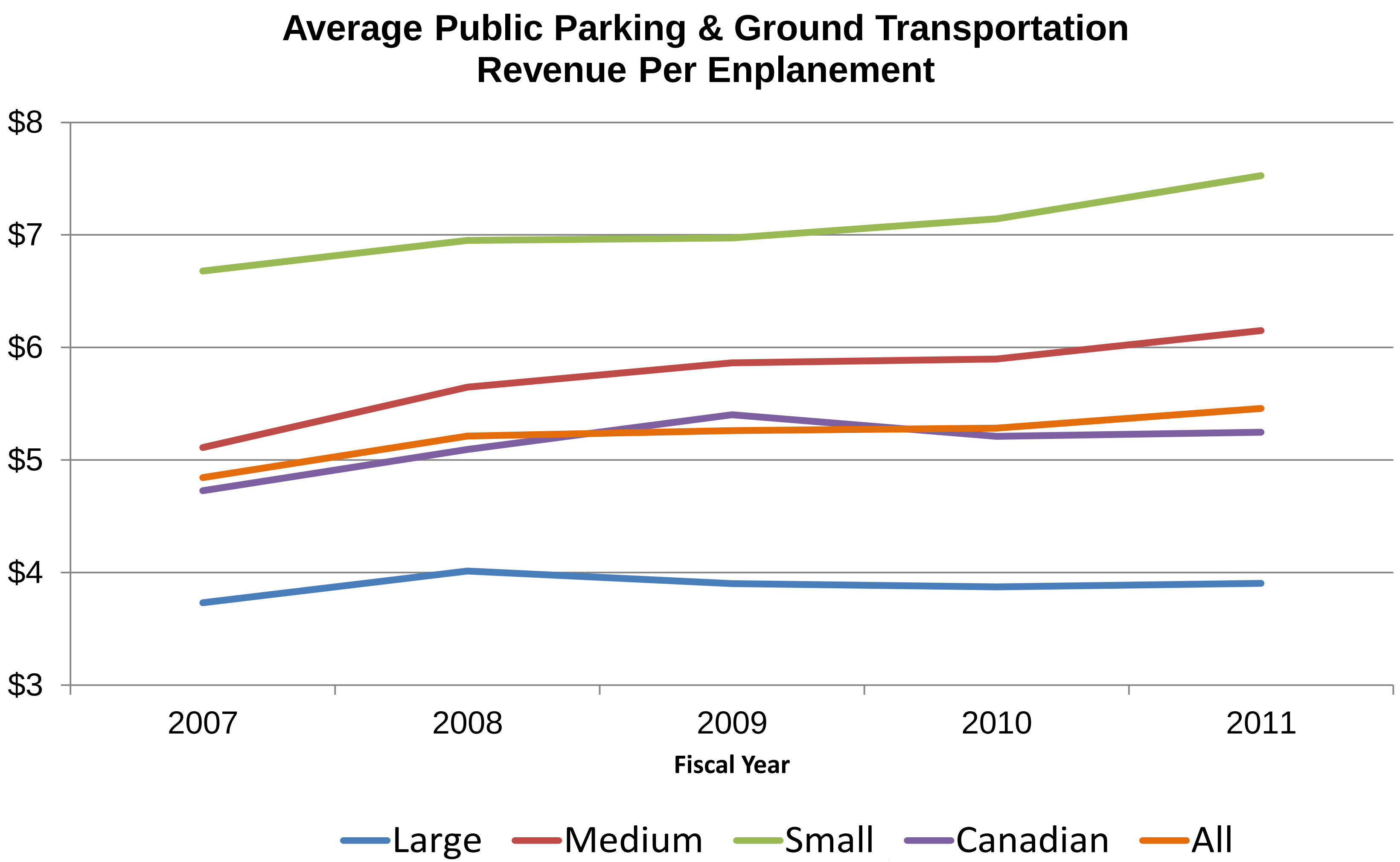
CAGR	Large	Medium	Small	Canadian	All
CAGR	1.8%	4.1%	2.2%	2.0%	2.7%

Public parking and ground transportation make up a majority of non-airline passenger related revenue



Note: (1) Concessions represents revenues to the airport from concessions located in the terminals and at the airsides. This represents income to the airport from concessionaires. This section does not include out-of-terminal concessions revenues. Includes food, beverage, retail, duty free, telecommunications, advertising, etc.

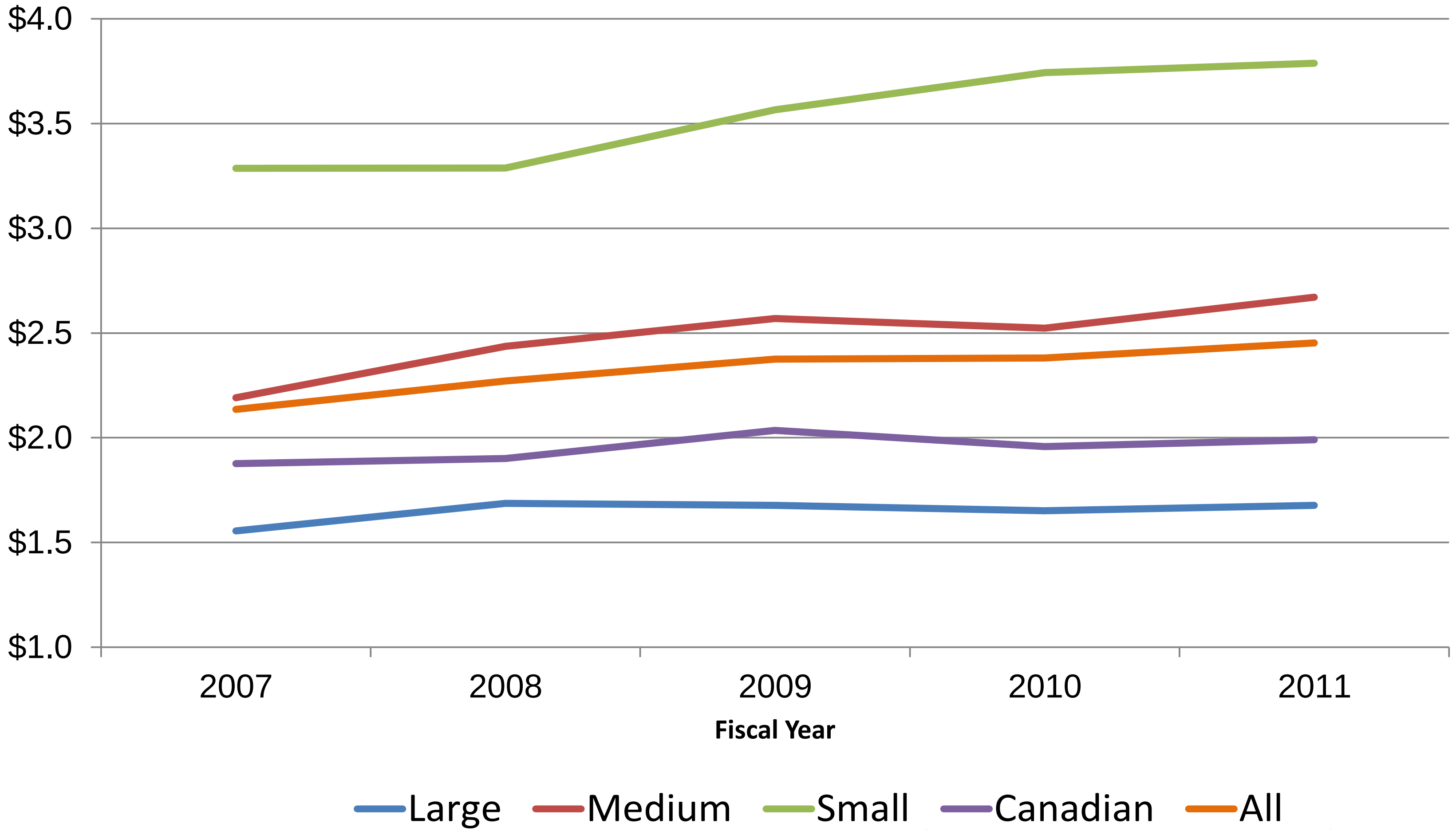
Parking and ground transportation revenue is on the rise except for at large hub airports where it remains flat



CAGR	0.9%	3.8%	2.4%	2.1%	2.4%

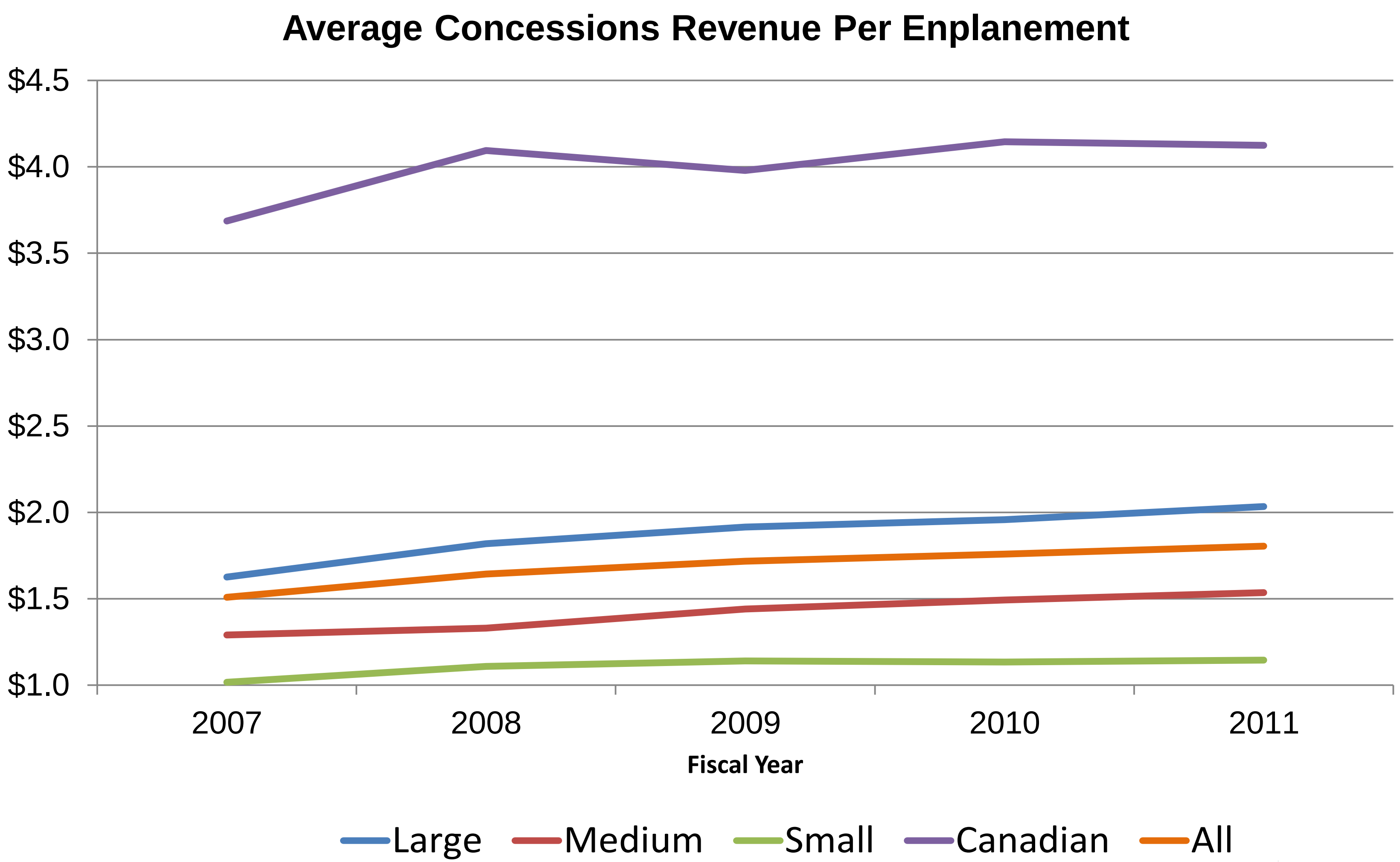
Rental car revenue is on the rise and is particularly strong at small hubs, where fewer mass transit options may exist

Average Rental Car Facility Revenue Per Enplanement



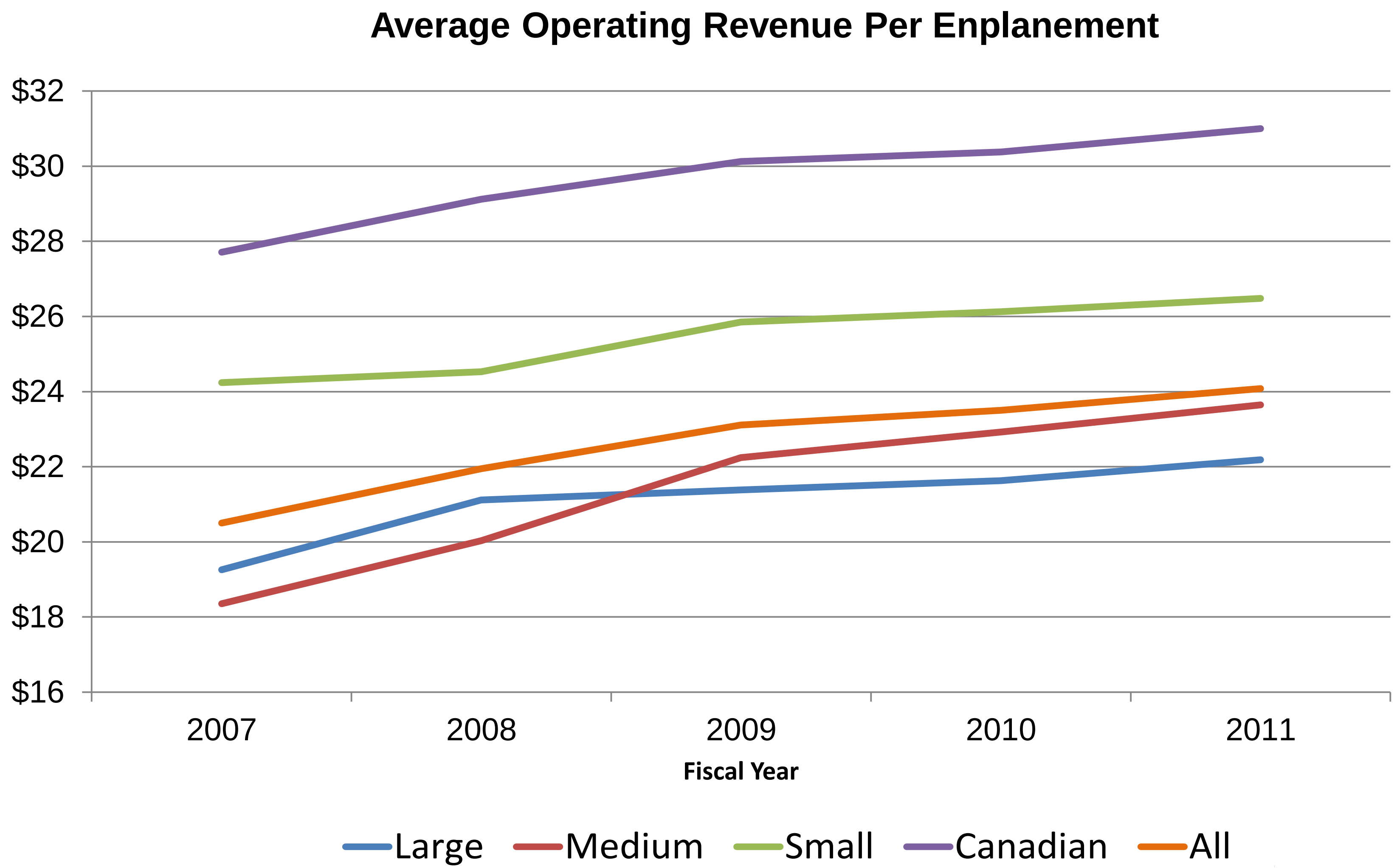
CAGR	1.5%	4.0%	2.9%	1.2%	2.8%

Concession revenue continues its steady upward trend and is significantly higher at Canadian airports



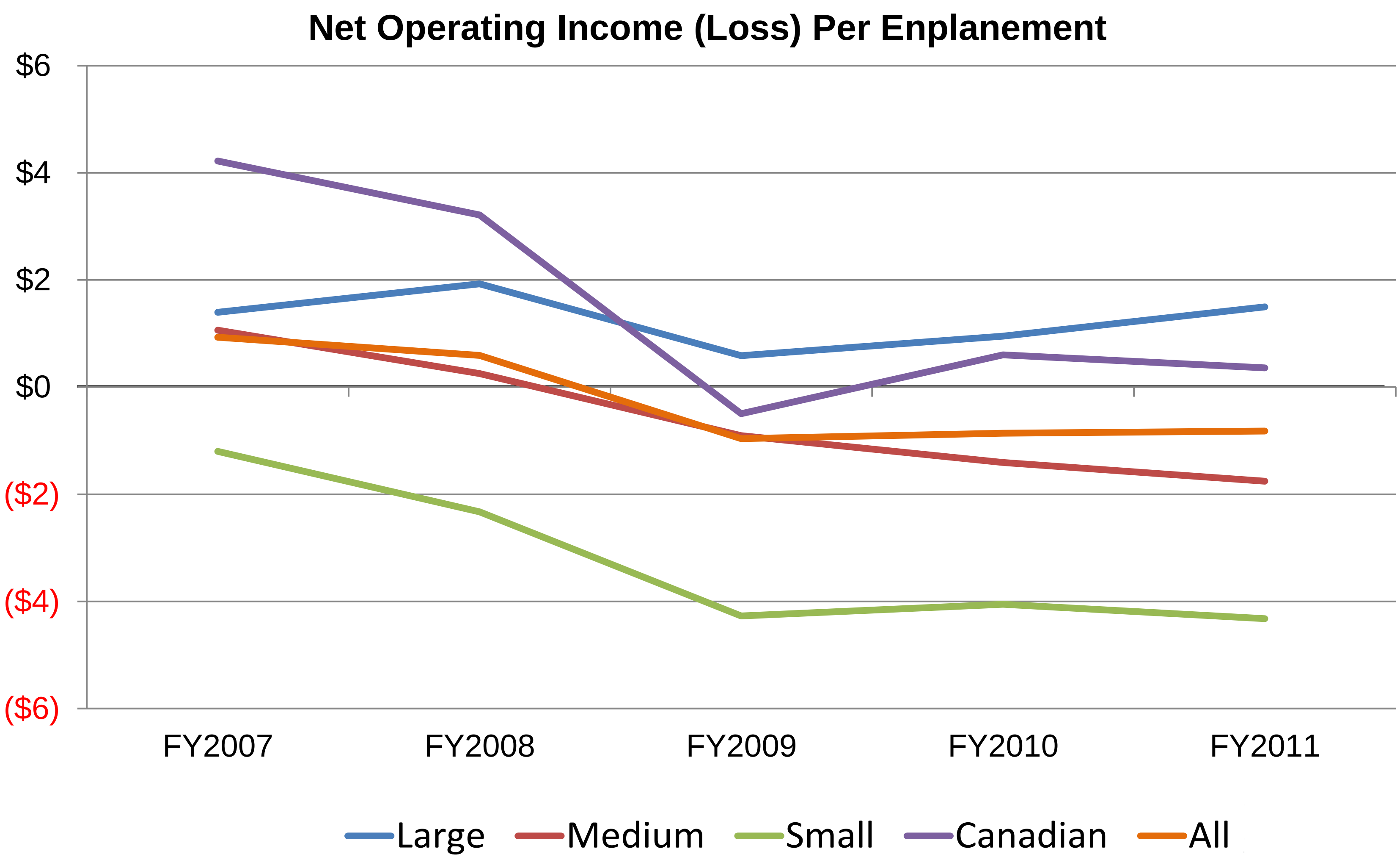
CAGR	4.6%	3.5%	2.4%	2.3%	3.7%

Together, rising passenger airline revenue and non-airline revenue has resulted in growth in airport operating revenue



CAGR	2.9%	5.2%	1.8%	2.3%	3.3%

However at Small and Medium hubs, expenses continue the trend of outpacing revenues



CAGR[1]	1.4%	(113.7%)	(29.3%)	(38.9%)	(78.4%)

Note: (1) Average annual growth rate used for Medium hub and All airport categories as a result of the compound annual growth rate being not measurable

The operating environment for North American airports continues to be challenging

- Growth in operating expenses appears to be outpacing growth in operating revenues at airports of all hub sizes
- Growth in non-airline passenger related revenue is a positive trend for the industry
- Commitment to major capital improvement projects may put additional financial pressures on airports until the macroeconomy and passenger traffic recovers

Appendix A

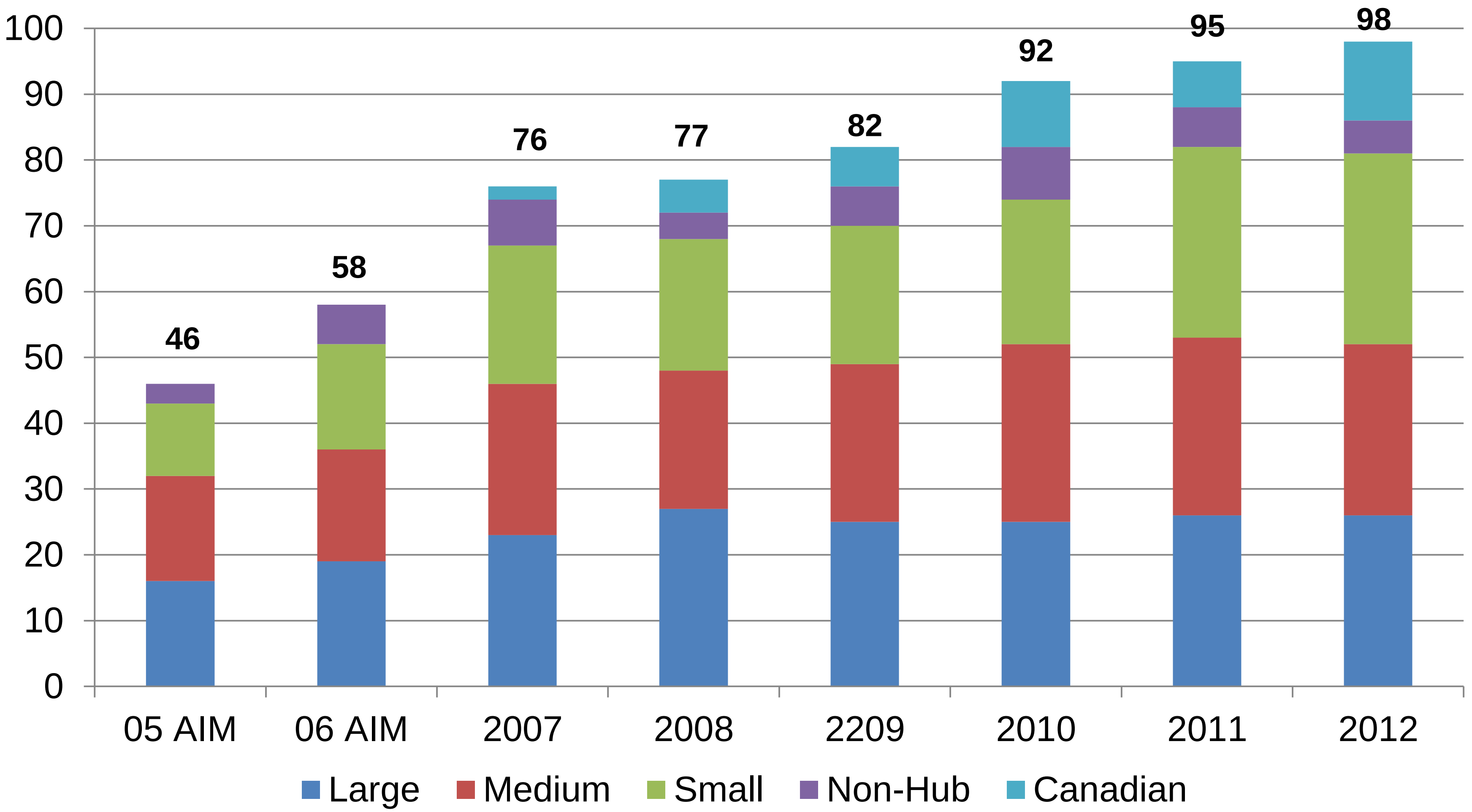
Methodology

FAA Definition of U.S. Airport Hub Classification

- Large Hub = >1% of U.S. annual enplanements
- Medium Hub = 0.25% - 0.99% of U.S. annual enplanements
- Small Hub = 0.05% - 0.25% of U.S. annual enplanements
- Non-Hub = <0.05% of U.S. annual enplanements

Source: FAA

ACI-NA Survey Participation



Survey Sample

Hub Category	05 AIM Survey	06 AIM Survey	2007	2008	2009	2010	2011	2012	Industry Total
Large	16	19	23	27	25	25	26	26	29
Medium	16	17	23	21	24	27	27	25	35
Small	11	16	21	20	21	22	29	29	73
Non	3	6	7	4	6	8	6	5	--
Canadian			2	5	6	10	7	11	--
Total	46	58	76	77	82	92	95	98	--

61 airports that responded to each of the 2008-2012 benchmarking surveys were included in the analysis in Part II

Large Hub - 24 Airports

(83% of large hub airports)

BOS	Boston Logan International Airport
BWI	Baltimore/Washington International Airport
DCA	Reagan National Airport
DEN	Denver International Airport
DFW	Dallas/Fort Worth International Airport
DTW	Detroit Metropolitan Wayne County Airport
EWR	Newark Liberty International Airport
FLL	Ft. Lauderdale-Hollywood International Airport
IAD	Washington Dulles International Airport
IAH	George Bush Intercontinental Airport
JFK	John F. Kennedy International Airport
LAS	McCarran International Airport
LGA	LaGuardia Airport
MCO	Orlando International Airport
MIA	Miami International Airport
MSP	Minneapolis St.Paul International Airport
ORD	Chicago O'Hare International Airport
PHL	Philadelphia International Airport
PHX	Phoenix Sky Harbor International Airport
SAN	San Diego International Airport
SEA	Seattle-Tacoma International Airport
SFO	San Francisco International Airport
SLC	Salt Lake City International Airport
TPA	Tampa International Airport

Medium Hub - 20 Airports[1]

(57% of medium hub airports)

ANC	Ted Stevens Anchorage International Airport
AUS	Austin-Bergstrom International Airport
BNA	Nashville International Airport
CMH	Port Columbus International Airport
CVG	Cincinnati/Northern Kentucky International Airport
HOU	William P. Hobby Airport
IND	Indianapolis International Airport
JAX	Jacksonville International Airport
MCI	Kansas City International Airport
MHR[1]	Sacramento Mather Airport
MKE	General Mitchell International Airport
OAK	Oakland International Airport
PDX	Portland International Airport
PIT	Pittsburgh International Airport
RNO	Reno–Tahoe International Airport
RSW	Southwest Florida International Airport
SAC[1]	Sacramento Executive Airport
SAT	San Antonio International Airport
SJC	Norman Y. Mineta San Jose International Airport
SMF[1]	Sacramento International Airport
SNA	John Wayne Airport
STL	Lambert-St. Louis International Airport

Small Hub - 14 Airports

(19% of large hub airports)

ALB	Albany International Airport
CAE	Columbia Metropolitan Airport
CHS	Charleston International Airport
ELP	El Paso International Airport
FAI	Fairbanks International Airport
FAT	Fresno Yosemite International Airport
GRR	Gerald Ford International Airport
GSP	Greenville-Spartanburg International Airport
JAN	Jackson-Medgar Wiley Interntional Airport
MSN	Dane County Regional Airport
SAV	Savannah/Hilton Head International Airport
SDF	Louisville International Airport
SRQ	Sarasota Bradeton Airport
TUL	Tulsa International Airport

Canadian - 3 Airports

YUL	Montréal-Pierre Elliott Trudeau International Airport
YVR	Vancouver International Airport
YXE	Saskatoon John G. Diefenbaker International Airport

Note: (1) MHR, SAC, and SMF report as a single entity

Source: FAA

ACI-NA Benchmarking Survey Definitions

Operating Expenses

Personnel Compensation and Benefits –
Salaries and wages of personnel directly employed by the airport and include benefits such as health insurance, life insurance, and employee pensions. If an agency or department of the local government operates the airport, only the personnel expenses for employees assigned to the department or agency who operates the airport is included.

Service Contracts –
Includes the cost of services paid to commercial enterprises and government agencies excluding amounts paid to third parties for repair and maintenance costs and marketing, advertising and promotions.

Non-Aeronautical Revenue

Public Parking & Ground Transportation –
Represents gross revenue from parking operations (prior to deductions for management and other expenses netted to revenues) within or outside the terminal and from ground transportation services (e.g., taxis, limos, shuttles). Employee and tenant parking is excluded.

Rental Car Facility –
Includes revenues from rental car activities located on-airport including ground rentals, percentage rents (concession fee), and other miscellaneous charges on this line. Also includes revenues from rental car activities located off airport. Excludes customer facility charges.

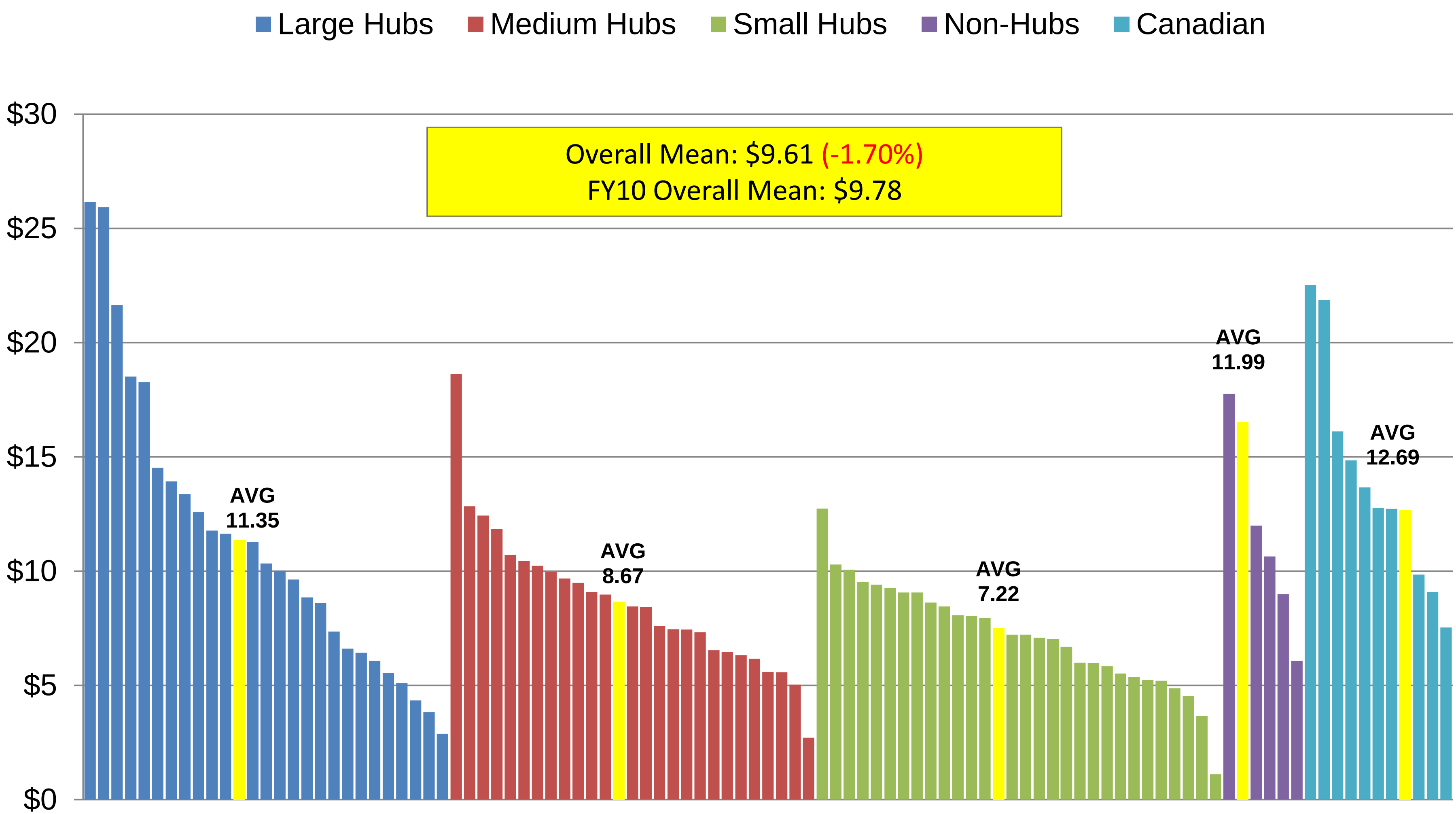
Concessions –
Represents revenues to the airport from concessions located in the terminals and at the airsides. This represents income to the airport from concessionaires. This section does not include out-of-terminal concessions revenues. Includes food, beverage, retail, duty free, telecommunications, advertising, etc. Excludes hotel.

Hotel –
income from hotel operations under concessions or management arrangement and revenues from airport owned hotels

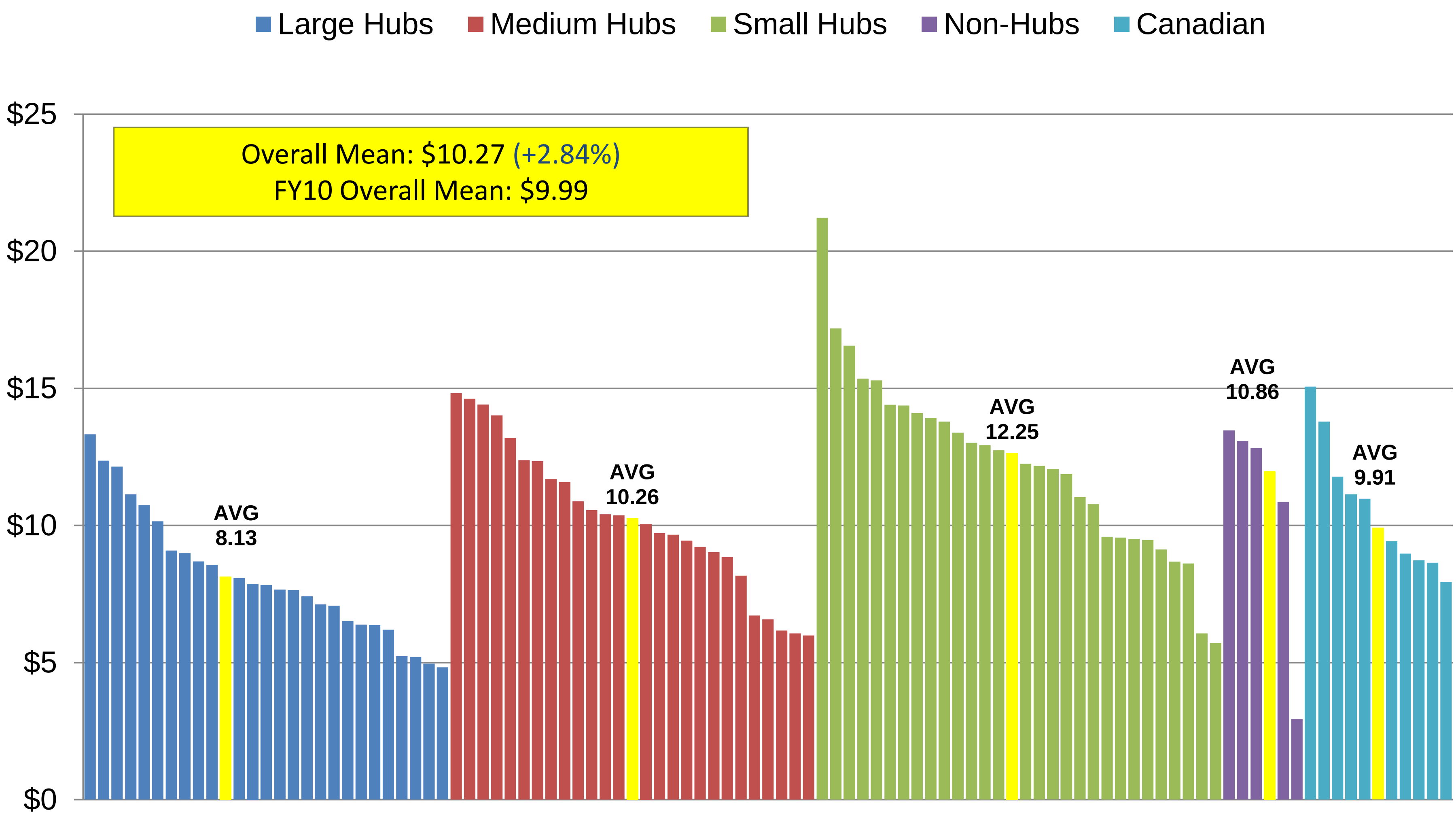
Appendix B

Individual Responses

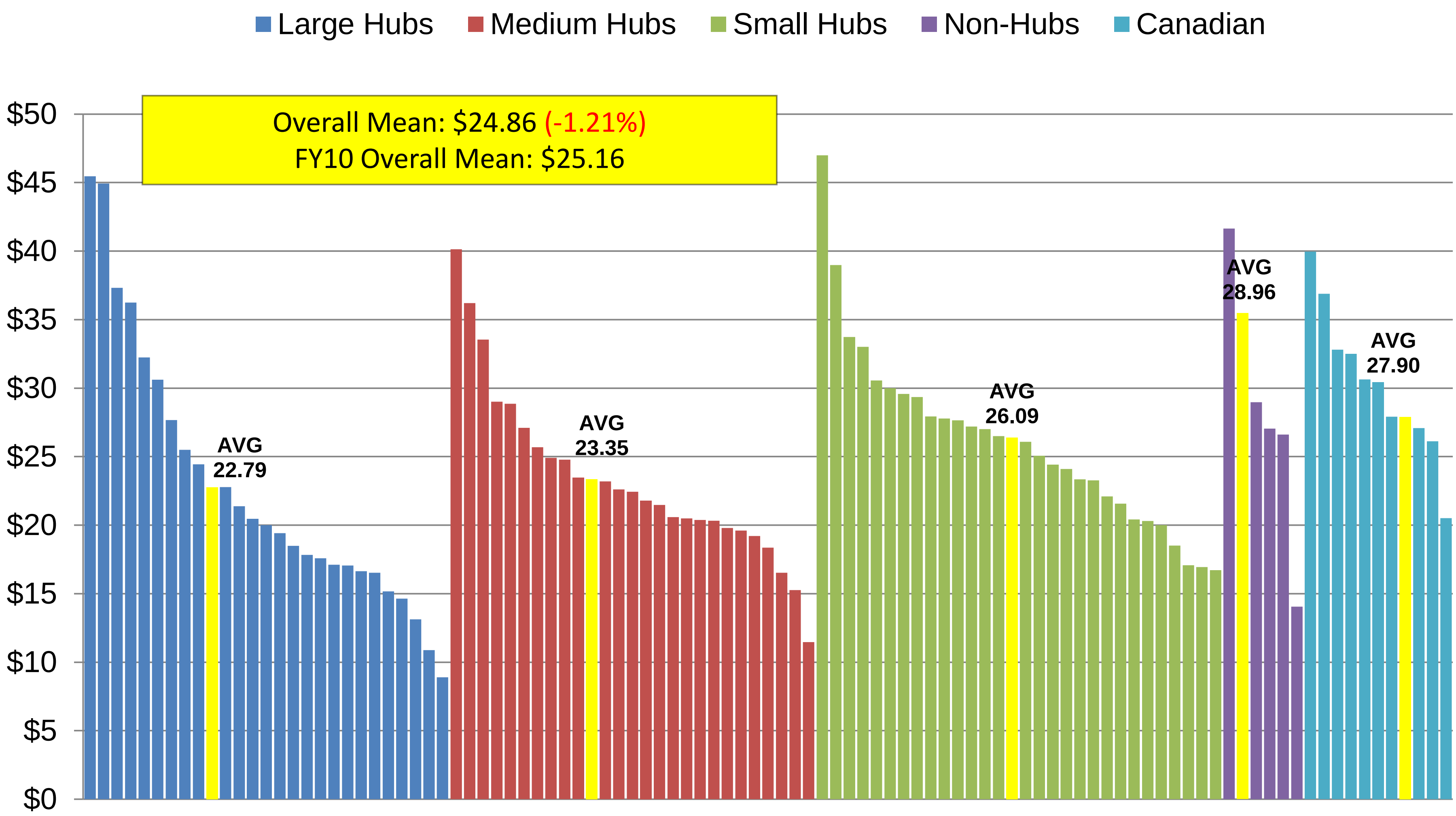
FY11 Passenger Airline Revenue Per Enplanement - CPE



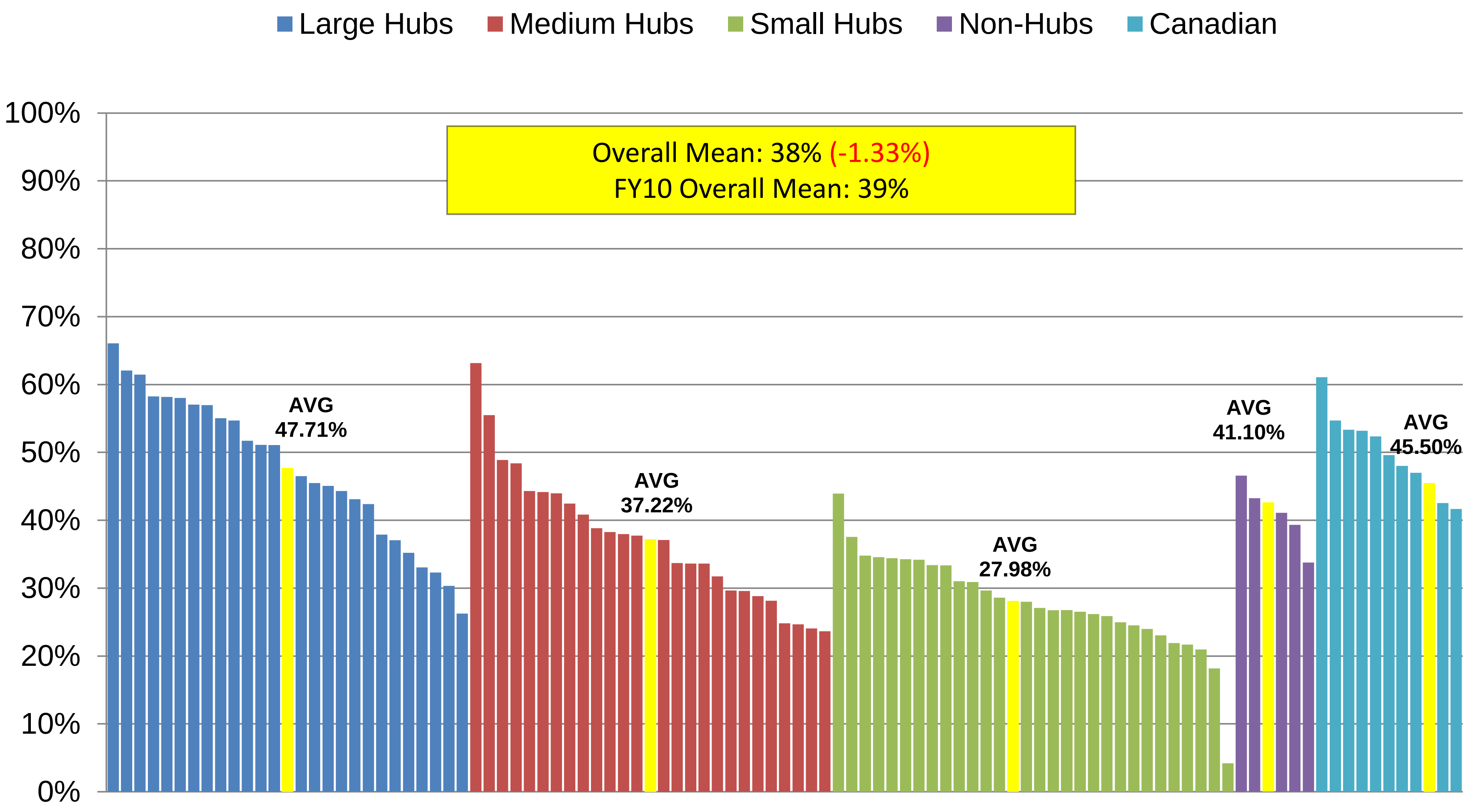
FY11 Total Non Aeronautical Passenger Related Rev. Per Enplanement



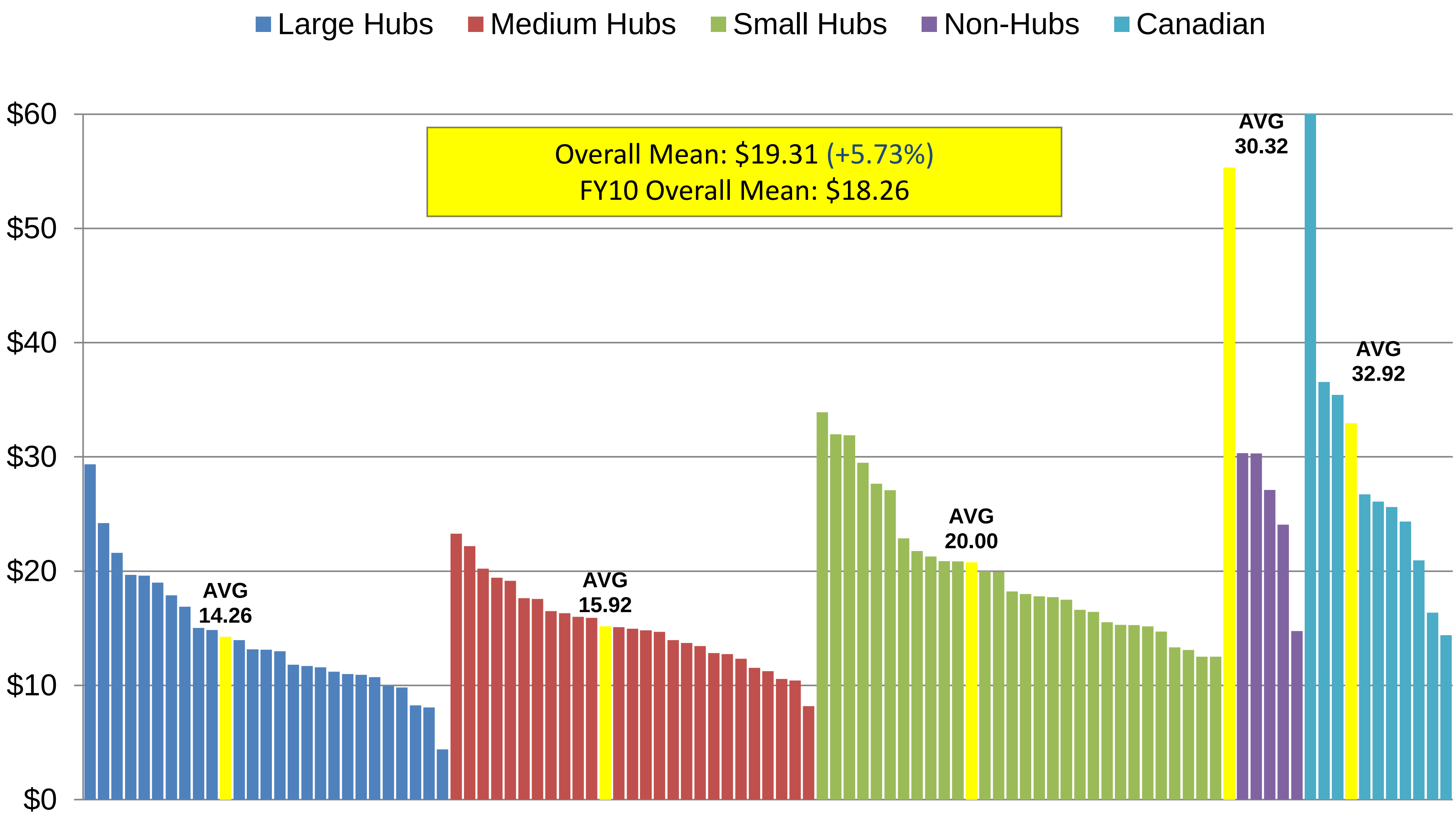
FY11 Operating Revenue Per Enplanement



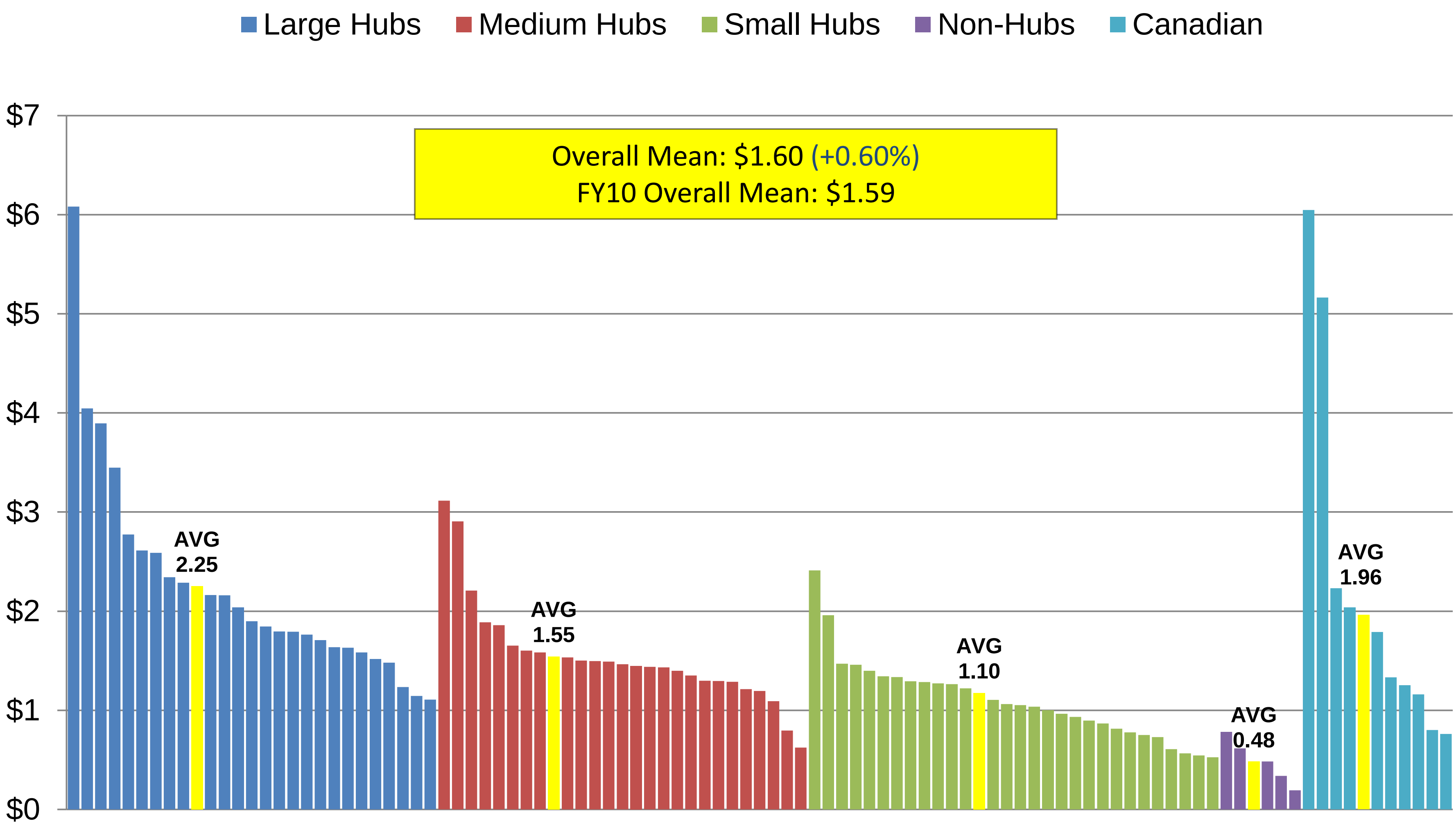
Percent of FY11 Operating Revenue Paid by Passenger Airlines



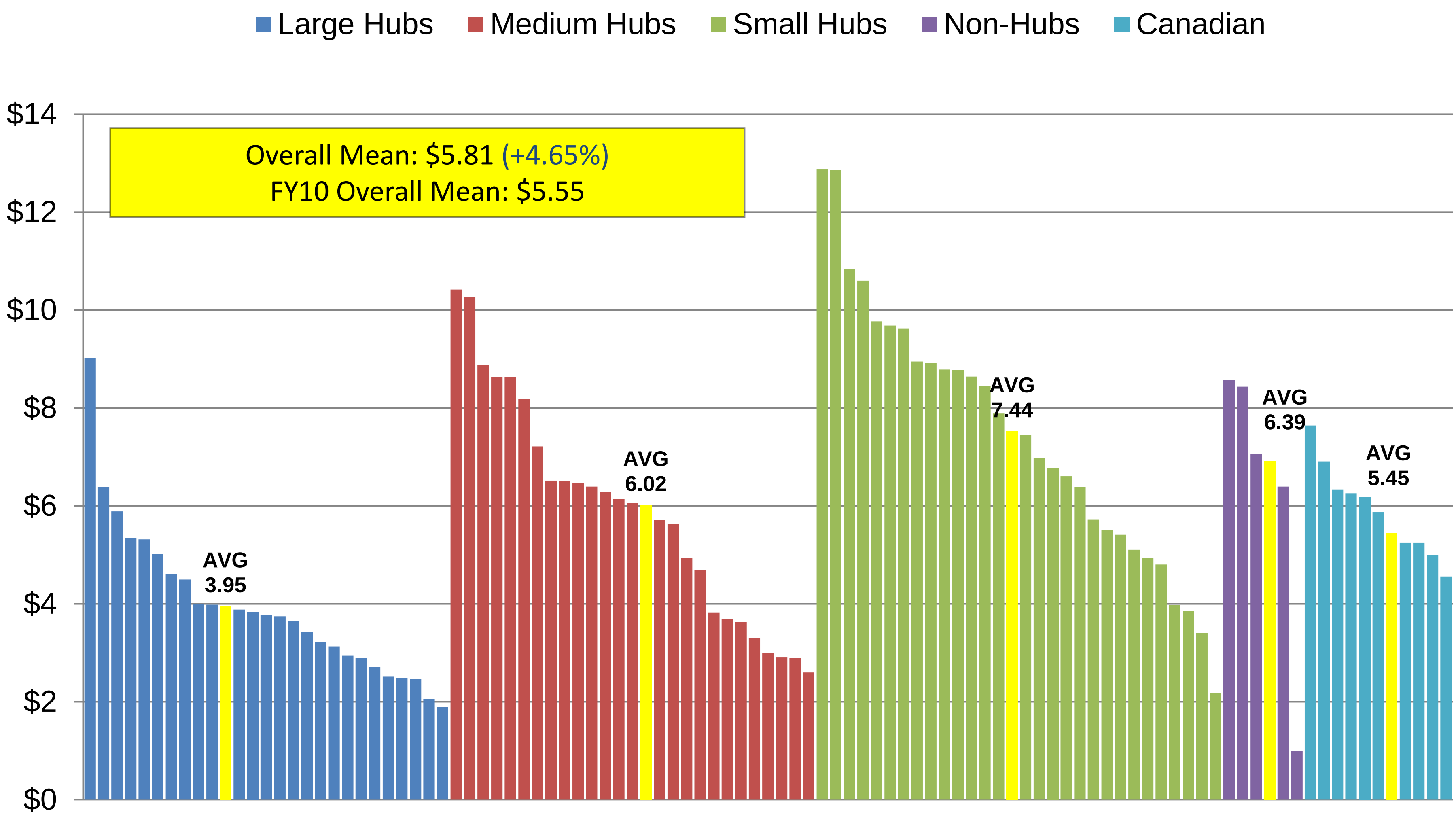
FY11 Operating Expense Per Enplanement



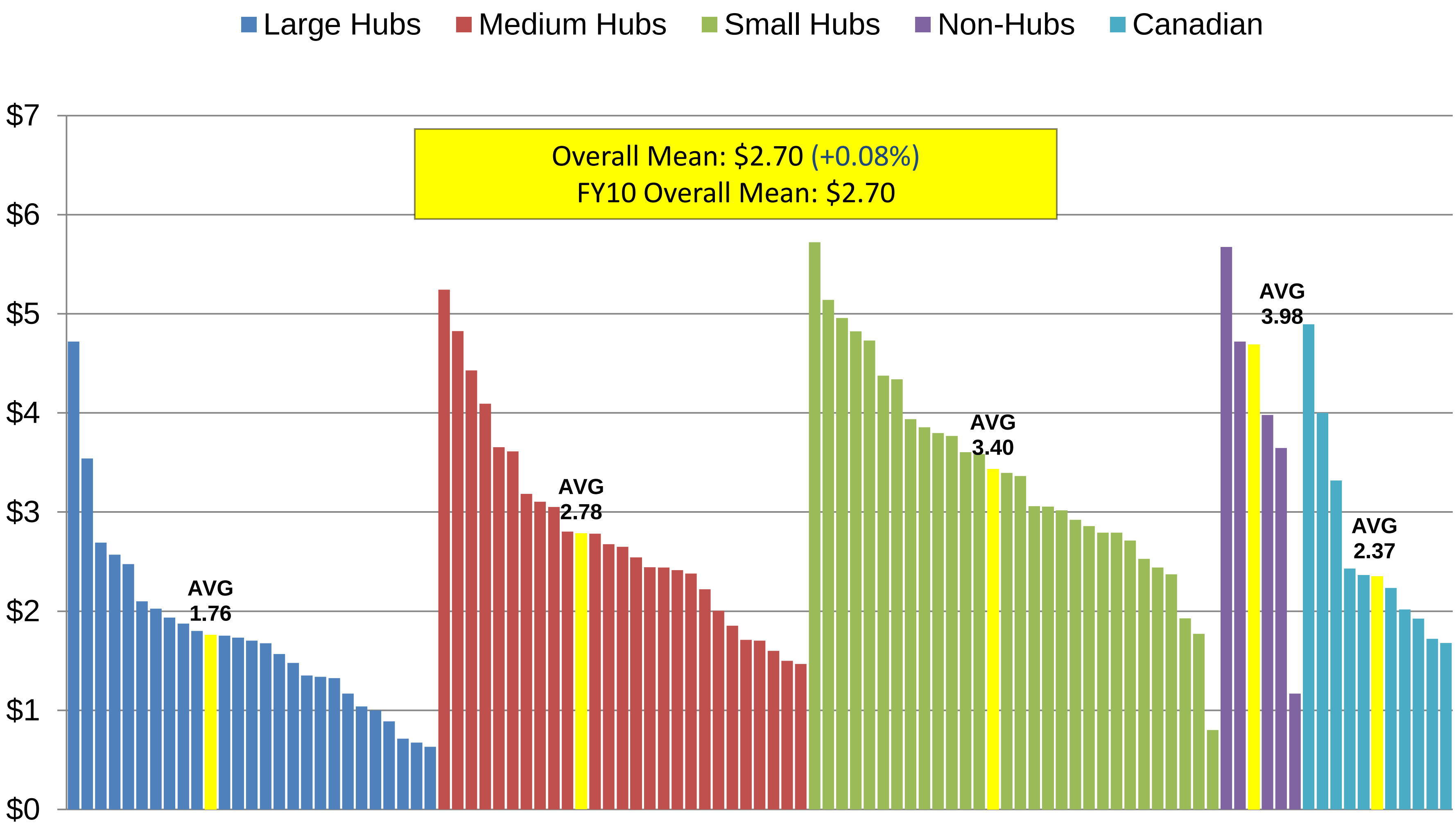
FY11 Concessions Revenue Per Enplanement



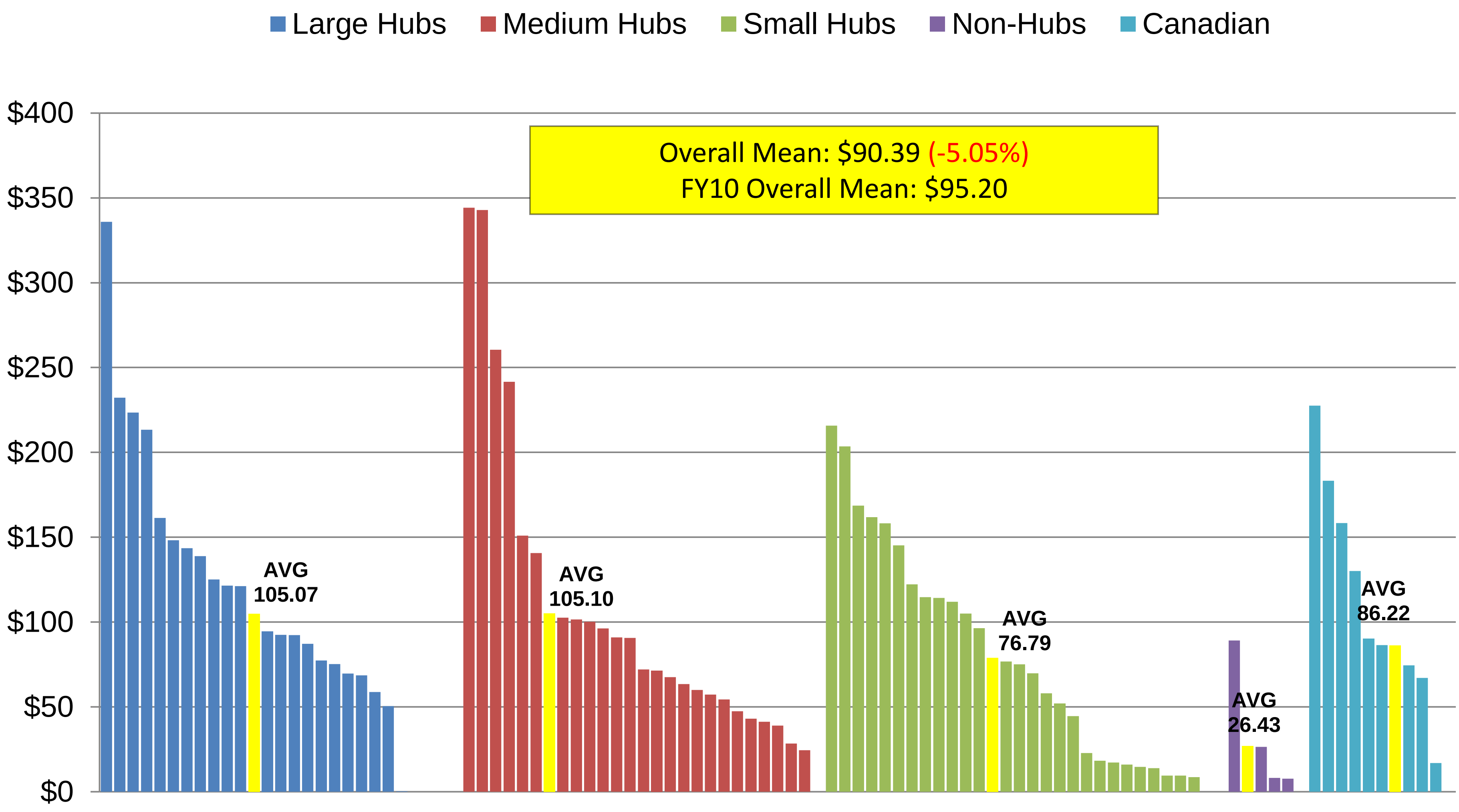
FY11 Public Parking & Ground Transportation Revenue Per Enplanement



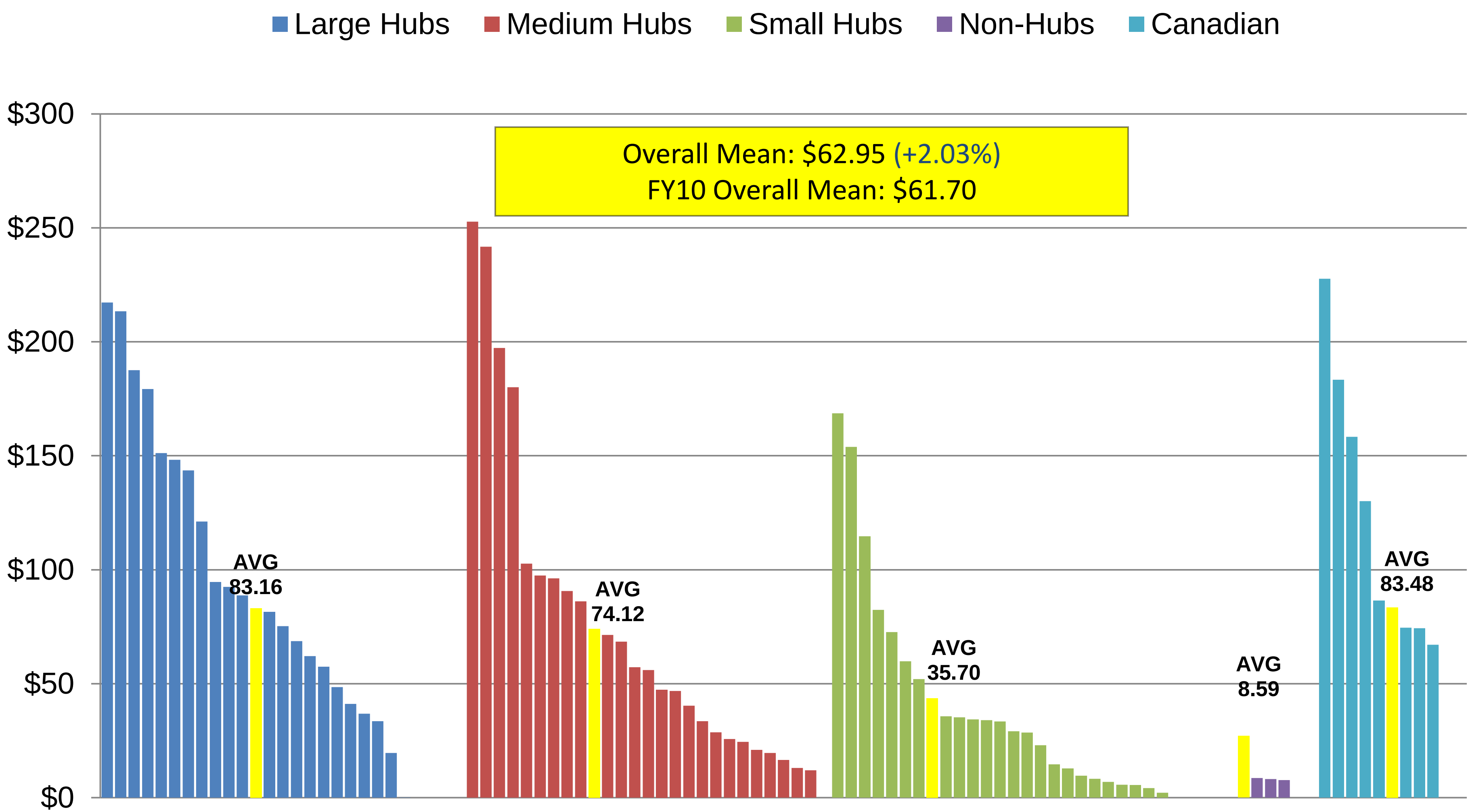
FY11 Rental Car Facility Revenue Per Enplanement



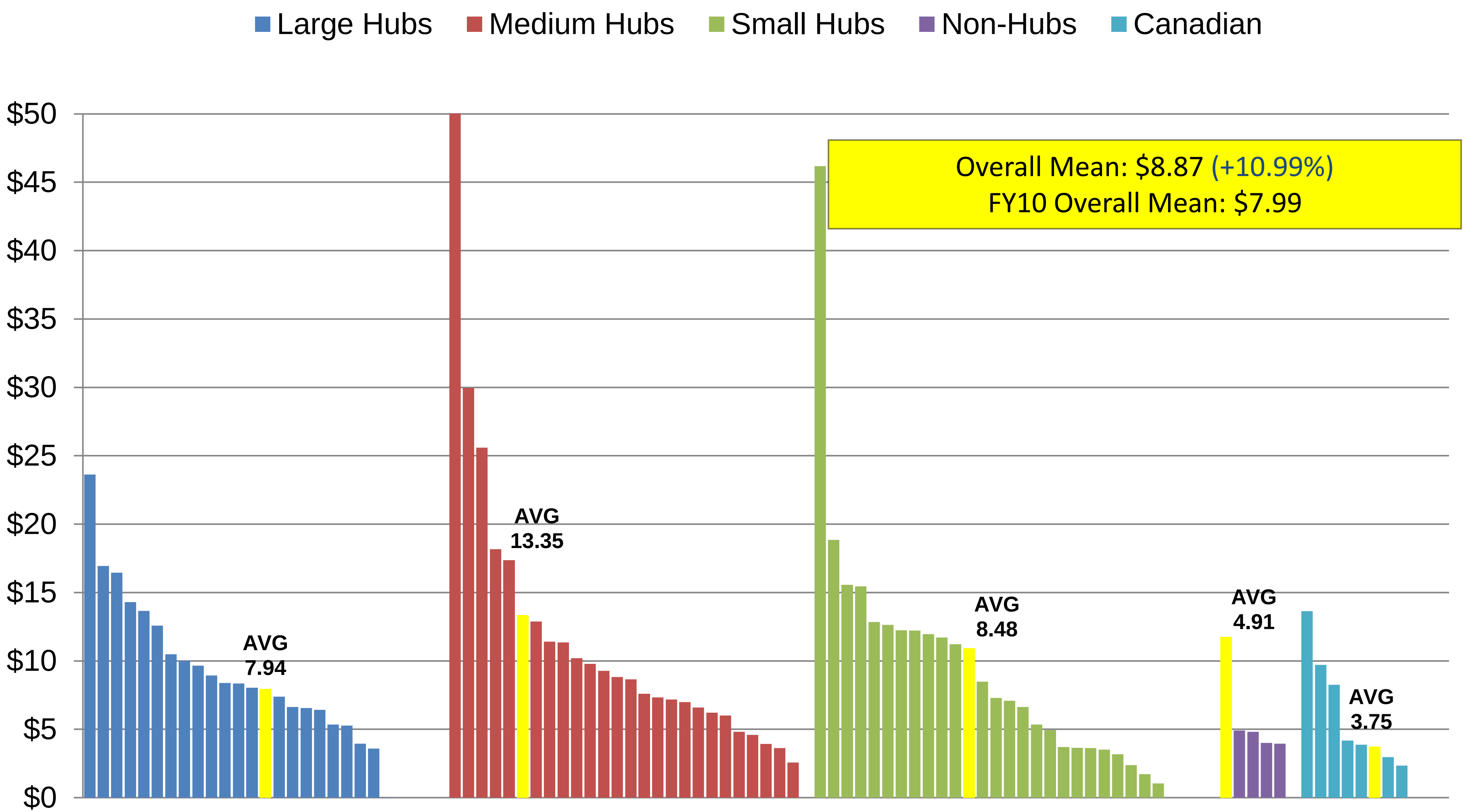
FY11 Debt Outstanding Per Enplanement



FY11 Net Debt Outstanding Per Enplanement



FY11 Annual Debt Service Per Enplanement



ACI-NA Airport Performance Benchmarking Survey **September 2012**

Contacts:

ACI-NA Economic Affairs and Research

Tel: 202-293-8500
Email: EconomicAffairs@aci-na.org
www.aci-na.org

Denver International Airport – Financial Planning & Analysis

Keith Downham, Director
Email: Keith.downham@flydenver.com

Christopher Parenteau, Senior Strategist
Email: christopher.parenteau@flydenver.com